

Statement of Accounts

2010/11

STATEMENT OF ACCOUNTS CONTENTS

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AUDIT OPINION

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By the Director of Strategic Resources

The accounts of such a large and diverse organisation as Sandwell Metropolitan Borough Council (SMBC) are by their nature both technical and complex. This has been further complicated by the introduction of International Financial Reporting Standards (IFRS). The Statement of Accounts for 2010/11 is the first to be prepared on an IFRS basis and has resulted in the restatement of various balances and transactions and the introduction of new statements. This has created a further level of complexity for readers to overcome. However, the information contained within these accounts is presented as simply and clearly as possible whilst adhering to the IFRS reporting regulations.

The Statement of Accounts features four main statements reporting on the Councils core activities:

- the Comprehensive Income and Expenditure Statement,
- the Balance Sheet,
- the Cash Flow Statement and
- the Movement in Reserves Statement

The purpose of each is briefly described within this foreword and they are each followed by notes explaining the statements and any specific restatements required as a result of the introduction of IFRS.

The main statements are supplemented by three further sections:

- the Housing Revenue Account,
- the Collection Fund Account,
- the Group Accounts.

The Housing Revenue Account reports on the Councils activities as a social landlord, the Collection Fund reports on the collection of local taxes and their distribution and the Group Accounts show the full extent of the Councils activities by including subsidiary and associate companies and joint ventures.

These too are preceded by notes explaining their purpose and have explanatory notes.

The Council also produce a simplified set of accounts as part of its Annual Report. Whilst having no formal legal standing they do provide a clear simplified view of our financial position. They are available at www.sandwell.gov.uk/annual-report

1. Accountability and financial reporting

Local authorities are governed by a rigorous structure of controls to provide stakeholders with the confidence that public money has been properly accounted for. As part of this process of accountability the Council is required to produce a set of accounts in order to inform you, as a stakeholder of the Council that we have properly accounted for all the public money we have received and spent and that the financial standing of the Council is on a secure and sound foundation.

The Councils Statement of Accounts concentrates on reporting the financial position of the Council in relation to a particular year; it does not aim to fulfil the role of an annual report of a Company as this would duplicate the work of other published documents, namely the Council Scorecard, Corporate Business Plan, the Sandwell Plan and various strategies including Capital & Asset Management Plans.

EXPLANATORY FOREWORD

During 2010/11 the Council has developed a Sandwell 'Scorecard' approach to measure its performance. The Scorecard sets out what the Management Board, the Cabinet, employees, the Council and its partners will be working on together to deliver for Sandwell people. The scorecard is available online through our website and is interactive for all of our stakeholders. The website address is: www.sandwell.gov.uk/your_council/mark_our_card

The Council believes that our stakeholders have a right to know what the Council is doing, why we are doing it - and the progress we make on what we say we will do. It outlines our priorities for improvement and our achievements to date.

The Corporate Business Plan sets out our shared vision for the Council and for Sandwell. It says what we plan to do over the next three years to deliver the vision and improve the lives of everyone in Sandwell.

The Sandwell Plan details the long term aspirations for the transformation of the Borough by 2021.

The Capital & Asset Management Plans detail the Councils approach to the management of its assets at corporate and departmental level. The Capital Strategy outlines capital investment over the medium term and the asset management plan outlines the approach to asset management with the overarching aim to improve and rationalise the existing property portfolio to ensure that the assets of the Council are well maintained, fit for purpose and appropriately located and accessible for users.

Local electors and taxpayers have statutory rights to inspect the accounts before the audit is completed and to question the auditors. We advertise the inspection period in local newspapers and publish both the draft and final version of the accounts on the Councils internet site.

2. Summary of Councils Financial Performance for the financial year 2010/11

The following summary of the financial performance covers:

- The Councils overall performance
- The performance of the statutory ring fenced accounts; and
- The performance of the Group.

2.1 Councils Overall Performance

The accounting practice governing local authority accounts continues to undergo significant change, particularly in 2010/11 with the adoption of IFRS. One of the main aims of the changes in recent years has been to harmonise the accounting requirements of the public sector with those of the private sector to allow comparisons to be made between sectors.

a) Comprehensive Income & Expenditure Statement

This statement shows the cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

In 2010/11 the Councils Comprehensive Income and Expenditure Statement shows a deficit in year of £44.082million. This represents the movement in year on the Local Taxpayers Equity and is representative of the balance sheet movement in reserves. (£764.824m in 2010/11 compared to £808.906m in 2009/10).

EXPLANATORY FOREWORD

The Councils net approved budget for 2010/11 was £322.927million, the final reported outturn surplus of £0.9million therefore represents an under spend of 0.5%. The Council has a comprehensive process of budget monitoring to identify significant financial issues and takes appropriate action to mitigate any issues which may arise during the year. However, with the Council spending in excess of £1billion each year there are inevitably some individual areas and services which have experienced in-year financial pressures, along with areas where savings have been made. The following are the main areas which had an impact upon the Council's year end position:

- Expected savings were realised on Treasury Management activities throughout the year and less than anticipated costs relating to the implementation of Single Status (£3million).
- Windfall income has also been received in year relating to successful VAT appeals (£2million) and Local Area Agreement Reward monies (£1million).
- Significant redundancy costs were incurred during the year which has impacted upon the General Fund Balance. Costs in the region of £11.8million have been charged to General Fund Services.

The Council applied to Communities and Local Government (CLG) for a capitalisation direction which has allowed the Council to capitalise specific elements of the redundancy costs incurred. The Council received a total permission to fund £5.7million of redundancy related costs from capital in year. This is a direct benefit to the Councils General Fund Balances.

There were also significant budgetary pressures within the Children's Social Care Directorate relating to safeguarding children. Approval was given in 2010/11 for one-off additional resources of £3.9million to be allocated in order to mitigate this pressure.

Full details of the Council's Treasury Management activities for the year are available in the Treasury Management report that was presented to Finance & Resources Scrutiny Panel as part of the Council's outturn report on 2nd June 2011.

b) Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. In 2010/11 the value of the Council's assets has fallen by £44million. The main movements on the balance sheet which generates this fall in value are:

- Decrease in long term assets of £69million.

Council Dwellings have reduced in value during the year by £133million. This reduction is a result of an amendment in year to the regional housing adjustment factor which represents sub market rents. A 34% adjustment factor is used in 2010/11 compared to 49% in 2009/10. This means that the economic cost of providing Council Housing at less than market value has risen from 51% in 2009/10 to 66% in 2010/11. Hence the closing vacant possession valuation of our Council housing stock has reduced significantly in year. This reduction in value has been partly offset by an increase in value for other land & buildings of £43million.

- Decrease in long term liabilities of £27million.

Other long term liabilities have decreased by £85million which relates in the main to the reduction in the pension fund deficit which is explained in more detail below. This reduction has been partly offset by an increase of £41m in long term borrowing, in particular through PWLB loans; this is in line with the approved Treasury Management Strategy of the Council.

The reduction in the value of the Council's assets is matched by a £44million reduction in reserves, mainly unusable reserves. The main reason for this is a reduction in the Capital Adjustment Account (CAA) relating in the main to impairments on the revaluation of assets. The CAA account absorbs the timing differences arising from the different accounting arrangements for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. Further details are provided within the note to the accounts on page 40.

The reduction in the CAA has been partly offset by a reduction in the Council's Pensions Reserve deficit on both the Local Government Pension Scheme and the Teachers Pension Scheme. The deficit on both schemes has reduced in year to £402.4million (£499.8million in 2009/10). In the budget statement on 22nd June 2010, it was announced that with effect from 1st April 2011 public service pensions would be uplifted in line with the Consumer Price Index (CPI) rather than the Retail Price Index (RPI). This has had the effect of reducing the Council's liability.

The overall deficit on the fund represents the difference between the value of the Council's pension fund assets as at 31st March 2011 and the estimated present value of the future pension payments to which it was committed at that date. These pension liabilities will be paid out over a period of many years, during which time the assets will continue to generate returns towards funding them.

Statutory arrangements are in place for funding the pension fund deficit based on increased contributions over the remaining working life of employees, as assessed by the scheme actuary. This means that the financial position of the Council remains healthy.

c) Movement In Reserves Statement

This statement shows the movement in year on the different reserves held by the Council, analysed into 'usable' reserves (i.e. those that can be applied to fund expenditure or reduce taxation) and other reserves. The surplus or (deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net Increase / Decrease before Transfers to Earmarked Reserves line shows the Statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

In 2010/11 it can be seen that the Council has maintained a stable reserves position both on General Fund and Housing Revenue Account balances when compared to the reserves held in 2009/10. This is of particular significance given the difficult financial climate within which the Council operates and gives credence to the Council's robust financial planning and monitoring process.

2.2 Ring-Fenced Accounts

The following is a summary of the financial performance of a number of statutory ring fenced accounts managed by the Council. The Housing Revenue Account and Individual Schools accounts are consolidated into the Councils overall financial statements.

The Collection Fund Account reflects the statutory requirement to establish and maintain a separate fund for the collection and distribution of amounts due in respect of Council Tax and National Non Domestic Rates. This account is not consolidated into the Council's accounts other than the Comprehensive Income and Expenditure account which receives a share of the collected Council Tax.

a) Housing Revenue Account (HRA)

The HRA Income and Expenditure account shows a deficit in year of £1.144million. This is due to £3.554m of capital expenditure being funded by the HRA in year.

The HRA reserves remain in a stable position, the balance is £14.403m as at 31st March 2011 (£15.547m as at 31st March 2010). £5million of this sum represents HRA working balances which are deemed to be prudent based on the Council's risk based reserves strategy. £5.952million is earmarked for specific capital investment purposes, a further £0.7m is being held to maintain the internal fire insurance account, £0.385m to fund the future costs of the Riverside PFI scheme with the remainder representing uncommitted resources.

b) Schools

The outturn on the Individual Schools Budget (ISB) for the year was a surplus of £3.548million. This includes a surplus of £1.886million against the schools budget share and £1.662m against other budgets held by the Council on behalf of schools. The ISB under spend increases the schools balance as at 31st March 2011 to £18.045million.

c) Collection Fund

The Collection Fund for 2010/11 generated a surplus of £0.5million. A Collection Fund balance arises because of differences between estimated and actual amounts of total council tax bills. Balances at the year end will feed into the estimate of the collection fund position that is made for the following year and the estimated balance at that point in time will be taken into account when calculating the council tax for the following year. National Non Domestic rates do not impact on the Collection Fund balance as they are paid over to the Governments national pool and redistributed to Councils based on population.

The Council continues to perform very well in its revenue collection. The in-year Council Tax collection rate for 2010/11 was 98.3%, an all time high and an increase of 0.3% on 2009/10. The in-year collection rate for Non Domestic Rates was 97.3%, an increase of 1.1% on 2009/10.

2.3 Group Performance

In order to establish which entities are required to be consolidated into the Council's group accounts, an assessment has been carried out in accordance with International Accounting Standards (IAS) 27- Consolidated and Separate Financial Statements and the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11. The aim of the group accounts is to show the overall picture of the activities of the Council and the resources used to carry out these activities.

a) Sandwell Homes

The only entity that is consolidated into the Council's accounts is Sandwell Homes, the Arms Length Management Organisation (ALMO) established to manage the Council's housing stock. In 2010/11 Sandwell Homes made a net profit on ordinary activities before taxation of £6.476m and held a retained surplus of £17.026m. The retained surplus included £16.850m relating to the reduction in the pension deficit, therefore the net underlying surplus for the year was £0.176m.

The principal income of Sandwell Homes is from the Council, which takes the form of a management fee and represents the on-going financial support for the Company which amounted to £52.9million for the period to 31st March 2011.

3. Current accounting practice and new developments

3.1 Changes to accounting practice

The accounting practice governing local authority accounts has undergone significant change over the last few years with the aim of harmonising the accounting requirements of the public sector with those of the private sector. The 2010/11 Statement of Accounts is the first to be fully prepared on an IFRS compliant basis, although the 2009/2010 accounts required the early adoption of IFRS based accounting practice for PFI transactions.

Throughout 2010/11 regular reports have been taken to the Council's Audit Committee updating Members as to the progress towards full IFRS implementation.

The adoption of the IFRS based code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009/2010. Full explanations are provided for all prior year adjustments throughout each section of the accounts.

4. Looking Forward

The 2010/11 financial year has presented a significant challenge, with the Council having to meet increasing cost pressures, embark upon a significant redundancy programme, continue to generate service efficiencies and maintain key front line services whilst dealing with the impact of the economic downturn. The main service pressures in 2010/11 were within Children's Social Care and Adult Services & Health, although the recovery plan in place for Adult Services & Health ensured a better than expected year end outturn position. Additional one-off funding of £3.9million was provided in year to Children's Social Care and this continues to be an area of budgetary concern to the Council.

The 2011/12 budget sought to address the main service pressure in 2010/11 and protected the Children's Social Care budget from the Council wide saving requirement target of 10% from all budgets. Having regard to the severe budgetary issues facing the Council in 2011/12, a further 25% reduction in specific supplies and services budgets was also made in order to release resources of £0.5million for reinvestment into key service areas.

The impact of the Local Government Finance settlement announced on 13th December 2010 for 2011/12 to 2013/14 saw the Council's funding reduce by £31.1million in 2011/12 representing a 14.3% decrease in resources. A further cash reduction of £12.1million (6.6%) was announced for 2012/13. The ongoing reductions will clearly have a significant impact upon the Council's future spending plans.

The Council's medium term budget strategy for 2012/13 is currently being updated and will cover the years 2012/13 to 2014/15. Directors have commenced work on their plans and vision for their services at the end of the budget period (2015). Clear links will be drawn to the Council's scorecard and the aspiration for excellent services.

1. **The Authority's Responsibility**

The Authority is required:

- To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has responsibility for the administration of those affairs. In this authority, that officer is the Director of Strategic Resources;
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

2. **The Director of Strategic Resources Responsibilities**

The Director of Strategic Resources is responsible for the preparation of the Council's statement of accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain (the Code), is required to present fairly the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March 2011.

In preparing this statement of accounts, the Director of Strategic Resources has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code.

The Director of Strategic Resources has also:

- Kept proper accounting records which were up to date;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

Approval of the Accounts

I certify that the Statement of Accounts has been considered by the Audit Committee and approved by a resolution of the Audit Committee of Sandwell Metropolitan Borough Council in accordance with the Accounts and Audit Regulations 2011.



Stuart Kellas
Director of Strategic Resources

Sandwell Metropolitan Borough Council

30th June 2011

COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

2009/10				2010/11		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
196,889	(190,435)	6,454	Central Services to the Public	177,141	(168,106)	9,035
103,394	(19,355)	84,039	Cultural, Environmental, Regulatory and Planning Services	99,968	(24,260)	75,708
363,069	(279,176)	83,893	Education and Children's Services	398,206	(293,907)	104,299
20,547	(2,290)	18,257	Highways and Transport Services	19,212	(3,014)	16,198
291,967	(110,560)	181,407	Housing Services	276,718	(113,796)	162,922
121,684	(38,061)	83,623	Adult Social Care	131,602	(32,725)	98,877
45,516	(18,881)	26,635	Corporate and Democratic Core	30,843	(20,866)	9,977
199	(151)	48	Court Services	188	(132)	56
(9,545)	(828)	(10,373)	Non Distributed Costs	(41,390)	(4,644)	(46,034)
1,133,720	(659,737)	473,983	Cost of Services	1,092,488	(661,450)	431,038
		15,440	Levies			15,616
		1,990	Payments to the Government Housing Capital Receipts Pool			2,307
		21,473	(Gains) / Losses on the disposal of non current assets			37,114
			Losses on Revaluation of Assets Held for Sale			940
		38,903	Other Operating Expenditure			55,977
		33,835	Interest payable and similar charges			35,016
		25,861	Pensions interest cost and expected return on pensions assets			20,149
		(741)	Interest receivable and similar income			(732)
		9,657	Income and expenditure in relation to investment properties and changes in their fair value			(4,982)
			Other investment income			
		68,612	Financing and Investment Income and Expenditure			49,451
		(97,871)	Council tax income			(99,789)
		(144,571)	Non domestic rates			(160,069)
		(33,369)	Revenue Support Grant			(23,244)
		(30,717)	General government grant - Area Based Grant			(36,653)
		(197)	General government grant - LABGI			-
		(57,481)	Capital grants and contributions			(46,866)
		(364,206)	Taxation and Non Specific Grant Income			(366,621)
		217,292	(Surplus) / Deficit on Provision of Services			169,845
		(35,420)	(Surplus) / deficit on revaluation of non current assets			(74,492)
		(12,418)	(Surplus) / deficit on revaluation of available for sale financial assets			-
		154,233	Actuarial (gains) / losses on pension assets and liabilities			(50,712)
		(308)	Any other (gains) / losses required to be included			(559)
		106,087	Other Comprehensive Income and Expenditure			(125,763)
		323,379	Total Comprehensive Income and Expenditure			44,082

BALANCE SHEET

1 April 2009 £'000	31 March 2010 £'000		Note ref	31 March 2011 £'000
1,281,114	1,149,305	Council Dwellings	8	1,016,205
496,010	454,530	Other Land & Buildings	8	498,314
134,473	166,501	Infrastructure	8	171,834
18,347	21,873	Vehicles, Plant, Furniture & Equipment	8	24,626
5,448	7,430	Community Assets	8	10,800
37,706	28,331	Assets Under Construction	8	43,588
5,345	6,820	Surplus Assets Not Held for Sale	8	2,075
131,502	114,280	Investment Properties	9	112,918
7,730	20,839	Long Term Investments	11	20,839
3,201	3,292	Long Term Debtors		2,736
2,120,876	1,973,201	Long Term Assets		1,903,935
39,618	61,200	Short Term Investments		24,320
219	-	Assets Held for Sale	10	414
1,760	1,735	Inventories		2,111
63,995	69,825	Short Term Debtors	12	61,033
17,408	31,725	Cash & Cash Equivalents	13	33,889
123,000	164,485	Current Assets		121,767
(31,858)	(36,539)	Bank Overdraft		(46,699)
(68,447)	(133,186)	Short Term Borrowing		(90,329)
(102,608)	(98,197)	Short Term Creditors	14	(90,236)
(202,913)	(267,922)	Current Liabilities		(227,264)
(42,543)	(18,029)	Provisions	15	(19,814)
(473,223)	(463,745)	Long Term Borrowing		(505,055)
(368,478)	(546,607)	Other Long Term Liabilities		(461,296)
(24,434)	(32,477)	Capital Grants Receipts in Advance	25	(47,449)
(908,678)	(1,060,858)	Long Term Liabilities		(1,033,614)
1,132,285	808,906	Net Assets		764,824
73,872	101,316	Usable Reserves	6	95,628
1,058,413	707,590	Unusable Reserves	17	669,196
1,132,285	808,906	Total Reserves		764,824

CASH FLOW STATEMENT

2009/10 £'000		2010/11 £'000	2010/11 £'000	Note Refs
217,292	Net (surplus) / deficit on the provision of services		169,845	
(249,544)	Adjustments to net surplus / deficit on the provision of services for non cash movements		(196,360)	18
	Adjustments for items included in the net surplus/deficit on the provision of services that are investing and financing activities:			
1,948	Interest received	765		
(36,688)	Interest paid	(40,822)		
(34,740)			(40,057)	
(66,992)	Net cash flows from Operating Activities		(66,572)	
	Investing Activities:			
161,705	Purchase of property, plant and equipment, investment property and intangible assets	171,391		
21,582	Purchase of short and long term investments	0		
36,688	Other payments for investing activities	40,822		
(7,582)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(9,913)		
	Proceeds from short and long term investments	(36,880)		
(103,662)	Other receipts from investing activities	(81,941)		
108,731			83,479	
	Financing Activities:			
(473,191)	Cash receipts of short and long term borrowing	(652,144)		
	Other receipts from financing activities			
4,449	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	6,589		
417,367	Repayments of short and long term borrowing	636,644		
	Other payments for financing activities			
(51,375)			(8,911)	
(9,636)	Net increase / decrease in cash and cash equivalents		7,996	
(14,450)	Cash and cash equivalents at the beginning of the reporting period		(4,814)	
(4,814)	Cash and cash equivalents at the end of the reporting period		(12,810)	

MOVEMENT IN RESERVES STATEMENT

	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Major Repairs Reserve £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Schools Balances £'000	Total Unusable Reserves £'000	Total Council Reserves £'000
Balance as at 31 March 2009	31,433	8,223	138	16,736	-	4,162	13,180	1,058,413	1,132,285
Movement in Reserves During 2009/10									
Surplus / (deficit) on the provision of services	(28,545)	-	-	(188,747)	-	-	-	-	(217,292)
Other Comprehensive Income and Expenditure	-	-	-	-	-	18,634	-	(124,720)	(106,086)
Total Comprehensive Income and Expenditure	(28,545)	-	-	(188,747)	-	18,634	-	(124,720)	(323,378)
Adjustments between accounting basis & funding basis under regulations	37,044	-	1,501	187,558	107	-	-	(226,103)	107
Net Increase / Decrease before Transfers to Earmarked Reserves	8,499	-	1,501	(1,189)	107	18,634	-	(350,823)	(323,271)
Transfers to / from Earmarked Reserves	(1,333)	16	-	-	(107)	-	1,317	-	(107)
Increase / Decrease in 2009/10	7,166	16	1,501	(1,189)	-	18,634	1,317	(350,823)	(323,378)
Balance at 31 March 2010 carried forward	38,599	8,239	1,639	15,547	-	22,796	14,497	707,590	808,907
Movement in Reserves During 2010/11									
Surplus / (deficit) on the provision of services	3,171	-	-	(173,016)	-	-	-	-	(169,845)
Other Comprehensive Income and Expenditure	-	-	-	-	-	(17,004)	-	142,767	125,763
Total Comprehensive Income and Expenditure	3,171	-	-	(173,016)	-	(17,004)	-	142,767	(44,082)
Adjustments between accounting basis & funding basis under regulations	4,458	-	4,833	171,872	181	-	-	(181,161)	183
Net Increase / Decrease before Transfers to Earmarked Reserves	7,629	-	4,833	(1,144)	181	(17,004)	-	(38,394)	(43,899)
Transfers to / from Earmarked Reserves	(6,711)	3,161	-	-	(181)	-	3,548	-	(183)
Increase / Decrease in Year	918	3,161	4,833	(1,144)	-	(17,004)	3,548	(38,394)	(44,082)
Balance at 31 March 2011 carried forward	39,517	11,400	6,472	14,403	-	5,792	18,045	669,196	764,825

NOTES TO THE ACCOUNTS

1. Transition to IFRS

The Statement of Accounts for 2010/11 is the first to be prepared on an IFRS basis. Adoption of the IFRS based Code has resulted in the restatement of various balances and transactions, with the result that some comparator amounts presented in the 2010/11 financial statements are different from those equivalent figures presented in the 2009/10 Statement of Accounts.

The following tables summarise the material differences between the amounts presented in the 2009/10 and 2010/11 financial statements as a result of the IFRS restatement required for accumulated compensated absences, leases, cash equivalents and government grants as well as changes in capital accounting requirements. Further explanations of the changes required in each of these key areas are provided after the tables.

Balance Sheet as at 1 April 2009

	Original Balances @ 1 April 2009 £'000	Adjustments						Revised Balances @ 1 April 2009 £'000
		Accumulated Compensated Absences	Cash Equivalents	Leases	Impairments	Asset Reclassifications	Government Grants	
		£'000	£'000	£'000	£'000	£'000	£'000	
Equipment, Vehicles & Plant	17,540			807				18,347
Investment Property	72,203					59,299		131,502
Surplus Properties	64,855					(64,855)		-
Assets Under Construction	37,718					(12)		37,706
Assets Not Held for Sale	-					5,345		5,345
Short Term Investment	48,618		(9,000)					39,618
Assets Held for Sale	-					219		219
Cash & Cash Equivalents	8,408		9,000					17,408
Capital Grants & Contributions RIA	-						(24,434)	(24,434)
Government Grants & Contributions Unapplied	(28,596)						28,596	-
Provisions	(36,211)	(6,332)						(42,543)
Finance Lease Creditors	(37,505)			(506)				(38,011)
Government Grants Deferred Account	(123,974)						123,974	-
Net Assets		(6,332)	-	301	-	(4)	128,136	
Capital Grants & Contributions Unapplied	-						4,162	4,162
Revaluation Reserve	63,764					(4)		63,760
Capital Adjustment Account	1,212,567			301			123,974	1,336,842
Accumulated Absences Account	-	(6,332)						(6,332)
Total Reserves		(6,332)	-	301	-	(4)	128,136	

NOTES TO THE ACCOUNTS

Balance Sheet as at 31 March 2010

	Original Balances @ 31 March 2010 £'000	Adjustments						Revised Balances @ 31 March 2010 £'000
		Accumulated Compensated Absences £'000	Cash Equivalents £'000	Leases £'000	Impairments £'000	Asset Reclassifications £'000	Government Grants £'000	
Equipment, Vehicles & Plant	21,550			323				21,873
Investment Property	62,231					52,049		114,280
Surplus Properties	58,870					(58,870)		-
Assets Not Held for Sale	-					6,820		6,820
Short Term Investment	82,200		(21,000)					61,200
Cash & Cash Equivalents	10,725		21,000					31,725
Capital Grants & Contributions RIA	-						(32,477)	(32,477)
Government Grants & Contributions Unapplied	(55,271)						55,271	-
Provisions	(10,449)	(7,580)						(18,029)
Finance Lease Creditors	(46,296)			(1)				(46,297)
Government Grants Deferred Account	(136,109)						136,109	-
Net Assets		(7,580)	-	322	-	(1)	158,903	
Capital Grants & Contributions Unapplied	-						22,795	22,795
Revaluation Reserve	108,783					(24,948)		83,835
Capital Adjustment Account	961,739			322		24,947	136,108	1,123,116
Accumulated Absences Account	-	(7,580)						(7,580)
Total Reserves		(7,580)	-	322	-	(1)	158,903	

Comprehensive Income and Expenditure Statement 2009/10

	Original Figures for 2009/10 £'000	Adjustments						Revised Figures for 2009/10 £'000
		Accumulated Compensated Absences £'000	Leases £'000	Impairments £'000	Asset Reclassifications £'000	Government Grants £'000	Investment Properties £'000	
Central Services to the Public	6,454							6,454
Cultural, Environmental, Regulatory and Planning Services	80,648	70				229	3,092	84,039
Education and Children's Services	77,835	819				5,239		83,893
Highways and Transport Services	16,161	74	(29)			2,051		18,257
Housing Services	188,740	24		(54)	(9,508)	1,972	233	181,407
Adult Social Care	83,373	165				85		83,623
Corporate and Democratic Core	13,078	28				13,529		26,635
Court Services	48							48
Non Distributed Costs	3,403	65			(13,841)			(10,373)
Net Cost of Services	469,740	1,245	(29)	(54)	(23,349)	23,105	3,325	473,983
(Gains) / losses on disposal of non current	18,036				(43)	3,480		21,473
Interest payable & similar charges	33,828		7					33,835
Income & expenditure in relation to investments	-						9,657	9,657
Capital grants & contributions	-					(57,481)		(57,481)
		-	7	-	(43)	(54,001)	9,657	

Short-term accumulating compensated absences

Short-term accumulating compensated absences refer to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the council. The most significant benefit covered by this heading is holiday pay.

Employees build up an entitlement to paid annual leave as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render service that increases their entitlement to further compensated absences. As a result, the Council is required to accrue for any annual leave earned but not taken as at 31 March each year. Under the previous accounting arrangements, no such accrual was required.

The Government has issued regulations that mean local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the Accumulated Absences Account until the benefits are used.

Cash and Cash Equivalents

In accordance with the Code *'short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value'* have been reclassified as Cash and Cash Equivalents on the Council's balance sheet. Previously these would have been classified as Short Term Investments within the balance sheet. For further details on what has been included under cash equivalents, please refer to accounting policy (iii) on page 66.

Leases

Property

Under the Code, leases of property are accounted for as separate leases of land and buildings. Previously, each property lease would have been accounted for as a single lease. The change in accounting treatment can result in the land or buildings element of the lease being accounted for as an operating lease where it was previously treated as finance lease; or as a finance lease where it was previously treated as an operating lease. The Council has reviewed a sample of its property leases and has concluded that they are all to remain as operating leases.

Vehicles

Following a review of the Council's vehicle leases in accordance with the Code, all vehicle leases (which were previously accounted for as operating leases) have now been reclassified as finance leases and accounted for accordingly.

Asset Reclassifications

The Council's asset base is held within the balance sheet grouped under asset classifications including Property Plant and Equipment, Investment Properties and Assets Held for Sale. Following the introduction of the IFRS based Code, the asset category of Surplus Assets was removed and also the qualifying criteria for Investment Properties and Assets Held for Sale was tightened, thus requiring a significant amount of the Council's asset to be reclassified on the balance sheet.

As a consequence of the reclassification, accounting treatment of revaluations and impairments has also changed, resulting in restatement of the adjustment accounts including the Revaluation Reserve and the Capital Adjustment Account.

Government Grants

Under the Code, grants and contributions for capital schemes are recognised as income when they become receivable. Previously, grants were held in a grants deferred account and recognised as income over the life of the assets which they were to fund.

As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

- The balance on the Government Grants Deferred Account at 31 March 2009 has been transferred to the Capital Adjustment Account in the opening 1 April 2009 balance sheet.
- Portions of Government grants deferred were previously recognised as income in 2009/10; these have been removed from the Comprehensive Income and Expenditure Statement in the comparative figures.
- A grant was received in 2009/10 but not used. Previously, no income was recognised in respect of this grant, which was shown in the Grants Unapplied Account within the liabilities section of the balance sheet. Following the change in accounting policy, the grant has been recognised in full, and transferred to the Capital Grants Unapplied Account within the reserves section of the balance sheet.

2. Accounting Standards that have been issued but have not yet been adopted

Heritage Assets

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the Code) has introduced a change in accounting policy in relation to the treatment of heritage assets held by the Council, which will need to be adopted fully in the 2011/12 financial statements.

The Council is required to disclose information relating to the impact of the accounting change on the financial statements as a result of the adoption by the Code of a new standard that has been issued, but is not yet required to be adopted by the Authority, in this case, heritage assets. As is set out above, full adoption of the standard will be required for the 2011/12 financial statements. However, the Council is required to make disclosure of the estimated effect of the new standard in these (2010/11) financial statements. The new standard will require that a new class of asset, heritage assets, is disclosed separately on the face of the Balance Sheet in the 2011/12 financial statements.

Heritage assets are assets that are held principally for their contribution to knowledge or culture. Sandwell holds 4 historic buildings as heritage assets.

The Code will require that heritage assets are measured at valuation in the 2011/12 financial statements (including the 2010/11 comparative information). The 2011/12 Code will permit some relaxations in the valuation requirements of heritage assets and this will mean that the Council is able to recognise more of its collections of heritage assets in the Balance Sheet.

The Council is unlikely to be able to recognise the majority of the other museum holdings in future financial statements as it is of the view that obtaining valuations would involve a disproportionate cost of obtaining the information in comparison to the benefits to the users of the Council's financial statements – this exemption is permitted by the 2011/12 Code.

The carrying value of heritage assets currently held in the Balance Sheet as Community Assets (at cost) within Property, Plant and Equipment at 1 April 2010 £0.304m.

There is no depreciation charged on the heritage assets that are currently classified as community assets because it has been estimated that the assets have a useful life of such length that any depreciation charge on the asset will be negligible and can be ignored on the basis of materiality. The Council considers that the heritage assets held by the Council will have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation for the assets. There will therefore be no change to the depreciation charged in the financial statements in relation to the heritage assets.

3. **Critical Judgements in Applying Accounting Policies**

In applying the accounting policies, the Council has had to make certain judgements about complex transactions and those involving uncertainty about future events that are likely to have the most significant effect upon the amounts recognised in the financial statements. All such judgements are disclosed in either the statement of accounting policies or within the relevant note to the accounts. These judgements have been made by professionals in each area and based solely upon known factors, trends and experience.

4. **Assumptions made about the Future and Other Major Sources of Estimation Uncertainty**

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results may be materially different from the assumptions and estimates.

The item in the Council's Balance Sheet at 31 March 2011 for which there maybe a risk of a revenue adjustment in the forthcoming financial year is as follows:

Equal Pay Provision/Earmarked Reserve

The Council has made a provision of £1.175m for the settlement of claims for back pay arising from the Equal Pay Initiative, based upon the number of claims received and an average settlement amount. It is not certain that all valid claims have yet been received by the Council or that precedents set by other authorities in the settlement of claims will be applicable. An increase in either the number of claims or the average settlement would affect the value of the provision required. This risk has been mitigated by the creation of an earmarked reserve from General Fund Balances which aims to create an additional source of funding for such an eventuality.

5. **Events after the Balance Sheet Date**

The Statement of Accounts includes all known circumstances as at the date of the authorisation on the Statement of Responsibilities included at page 11.

NOTES TO THE ACCOUNTS

6. Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

2009/10

	Usable Reserves				Total Unusable Reserves	Total Council Reserves
	General Fund Balance	Major Repairs Reserve	Housing Revenue Account	Capital Receipts Reserve		
	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments involving the Capital Adjustment Account:						
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>						
Charges for depreciation and impairment of non current assets	77,708		193,559		(41,120)	230,147
Revaluation losses on Property Plant & Equipment					(248,089)	(248,089)
Movements in the market value of Investment Properties	12,938				(12,938)	-
Capital grants and contributions	(55,385)		(550)		55,935	-
Revenue expenditure funded from capital under statute	5,727				(5,727)	-
Amounts of non current assets written off on disposal or sale as part of the gain / loss on disposal to the Comprehensive Income & Expenditure Account	22,369		(853)		(31,882)	(10,366)
Govt Grants Deferred Write Out	229				(230)	(1)
Revenue Contributions to Fund Capital Expenditure					6,651	6,651
Capitalisation Directive	(26,321)				26,321	-
Reserved Capital receipts					15	15
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>						
Statutory provision for the financing of capital investment	(13,147)		(2,368)		15,515	-
Capital expenditure charged against the General Fund and HRA balances	(4,380)		(2,270)		(148)	(6,798)
Adjustments involving the Capital Receipts Reserve:						
Transfer of sale proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement				10,368	-	10,368
Use of the Capital Receipts Reserve to finance new capital expenditure				(8,271)	8,271	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	1,990			(1,990)	92	92
Adjustments involving the Major Repairs Reserve:						
Reversal of the Major Repairs Allowance credited to the HRA		18,089			-	18,089
Use of the Major Repairs Reserve to finance new capital expenditure		(16,588)			16,588	-
Adjustments involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the CI&ES are different from finance costs chargeable in the year in accordance with statutory requirements	(204)		40		164	-
Adjustments involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the CI&ES	43,770				(43,770)	-
Employer's pensions contributions and direct payments to pensioners payable in the year	(28,164)				28,164	-
Adjustment involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the CI&ES is different from council tax income calculated for the year in accordance with statutory requirements	(1,333)				1,333	-
Adjustment involving the Accumulating Compensated Absences Adjustment Account:						
Amount by which officer remuneration charged to the CI&ES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	1,247				(1,248)	(1)
Total Adjustments	37,044	1,501	187,558	107	(226,103)	107

NOTES TO THE ACCOUNTS

2010/11

	Usable Reserves				Total Unusable Reserves	Total Council Reserves
	General Fund Balance	Major Repairs Reserve	Housing Revenue Account	Capital Receipts Reserve		
	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments involving the Capital Adjustment Account:						
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</i>						
Charges for depreciation and impairment of non current assets	47,964		178,839		(42,576)	184,227
Revaluation losses on Property Plant & Equipment					(183,504)	(183,504)
Movements in the market value of Investment Properties	(1,564)				1,564	-
Capital grants and contributions	(46,866)				67,234	20,368
Revenue expenditure funded from capital under statute	28,599				(48,968)	(20,369)
Amounts of non current assets written off on disposal or sale as part of the gain / loss on disposal to the Comprehensive Income & Expenditure Account	38,477		(1,411)		(44,599)	(7,533)
Revenue Contributions to Fund Capital Expenditure					4,121	4,121
Capitalisation Directive	(1,142)				1,142	-
Reserved Capital receipts					181	181
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</i>						
Statutory provision for the financing of capital investment	(15,262)		(2,065)		17,327	-
Capital expenditure charged against the General Fund and HRA balances	(567)		(3,554)		(19,068)	(23,189)
Adjustments involving the Capital Receipts Reserve:						
Transfer of sale proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement				7,535	-	7,535
Use of the Capital Receipts Reserve to finance new capital expenditure				(5,047)	5,047	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	2,307			(2,307)	-	-
Adjustments involving the Major Repairs Reserve:						
Reversal of the Major Repairs Allowance credited to the HRA		18,345			-	18,345
Use of the Major Repairs Reserve to finance new capital expenditure		(13,512)			13,512	-
Adjustments involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the CI&ES are different from finance costs chargeable in the year in accordance with statutory requirements	(122)		63		59	-
Adjustments involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the CI&ES	(18,025)				18,025	-
Employer's pensions contributions and direct payments to pensioners payable in the year	(28,719)				28,719	-
Adjustment involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the CI&ES is different from council tax income calculated for the year in accordance with statutory requirements	(461)				461	-
Adjustment involving the Accumulating Compensated Absences Adjustment Account:						
Amount by which officer remuneration charged to the CI&ES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(161)				162	1
Total Adjustments	4,458	4,833	171,872	181	(181,161)	183

NOTES TO THE ACCOUNTS

7. Transfers to/from Earmarked Reserves

This notes sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2010/11.

	Balance as at 1 April 2009 £'000	Transfers Out 2009/10 £'000	Transfers In 2009/10 £'000	Balance as at 31 March 2010 £'000	Transfers Out 2010/11 £'000	Transfers In 2010/11 £'000	Balance as at 31 March 2011 £'000
General Fund:							
Insurance	5,967	-	807	6,774	-	29	6,803
Major Repairs Reserve	138	-	1,501	1,639	-	4,834	6,473
Corporate Information Management Strategy	32	-	-	32	-	-	32
Corporate Culture Changes	32	(6)	-	26	(4)	-	22
Data / Information Management Improvements	184	-	-	184	-	110	294
ICT System Development / Replacement	400	(200)	-	200	-	-	200
Service Transformation	250	(83)	125	292	(282)	-	10
Service Improvement	50	(50)	-	-	-	-	-
Novell Groupwise Licensing Agreement	100	(100)	-	-	-	-	-
SLT Management Fee	-	-	40	40	-	-	40
ERDF Irregularities	331	(24)	384	691	-	-	691
Redundancy Reserve	128	(128)	-	-	-	-	-
Education PFI	249	(249)	-	-	-	-	-
Government Connect	500	(500)	-	-	-	-	-
BSF FM Sinking Fund Reserve	-	-	-	-	-	410	410
Replacement of Networked Diary System	-	-	-	-	-	35	35
Legal Services Employment Tribunal	-	-	-	-	-	100	100
Personal Search Fee (Land Charges Register)	-	-	-	-	-	34	34
Revenue Grants	-	-	-	-	-	2,728	2,728
Total General Fund	8,361	(1,340)	2,857	9,878	(286)	8,280	17,872
Balances Held by Schools under a Scheme of Delegation	13,180	-	1,317	14,497	-	3,548	18,045
HRA:							
Working Balance	5,000	(349)	-	4,651	-	349	5,000
Internal Fire Insurance Account	700	-	-	700	-	-	700
Contingencies	1,050	(100)	-	950	(584)	-	366
Capital Investment	8,015	(2,949)	-	5,066	-	886	5,952
PFI	1,337	-	2,843	4,180	(3,795)	-	385
Departmental Balances	634	(634)	-	-	-	-	-
Uncommitted HRA Resources	-	-	-	-	-	2,000	2,000
Total HRA	16,736	(4,032)	2,843	15,547	(4,379)	3,235	14,403

NOTES TO THE ACCOUNTS

8. Property, Plant and Equipment

Movements in 2009/10	Council Dwellings	Other Land & Buildings	Infrastructure	Vehicles, Plant, Furniture & Equipment	Community Assets	Assets Under Construction	Assets Not Held for Sale	Total Plant, Property & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
At 1 April 2009	1,299,946	531,561	177,956	28,497	5,448	37,706	5,345	2,086,459
Additions	84,469	11,514	20,177	8,516	1,562	8,863	421	135,522
Donations	-	-	-	-	-	-	-	-
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(18,714)	23,960	-	-	-	-	172	5,418
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	(192,493)	(55,440)	-	-	-	-	(96)	(248,029)
Derecognition - Disposals	(2,235)	(25,934)	-	-	-	-	-	(28,169)
Derecognition - Other	-	-	-	-	-	-	-	-
Assets reclassified (to) / from Held for Sale	-	-	-	-	-	-	-	-
Other movements in Cost or Valuation	(2,801)	2,340	17,332	-	470	(18,238)	1,024	127
At 31 March 2010	1,168,172	488,001	215,465	37,013	7,480	28,331	6,866	1,951,328
Accumulated Depreciation and Impairment								
At 1 April 2009	(18,832)	(35,551)	(43,483)	(10,150)	-	-	-	(108,016)
Depreciation Charge	(18,867)	(11,715)	(5,481)	(4,990)	-	-	-	(41,053)
Depreciation written out to the Revaluation Reserve	18,714	10,938	-	-	-	-	-	29,652
Depreciation written out to the Surplus / Deficit on the Provision of Services	-	-	-	-	-	-	-	-
Impairment losses / (reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	-	-	-	-	-	-	-	-
Derecognition - Disposals	30	2,556	-	-	-	-	-	2,586
Derecognition - Other	-	-	-	-	-	-	-	-
Other movements in Depreciation and Impairment	88	301	-	-	(50)	-	(46)	293
At 31 March 2010	(18,867)	(33,471)	(48,964)	(15,140)	(50)	-	(46)	(116,538)
Net Book Value								
At 1 April 2009	1,281,114	496,010	134,473	18,347	5,448	37,706	5,345	1,978,443
At 31 March 2010	1,149,305	454,530	166,501	21,873	7,430	28,331	6,820	1,834,790

NOTES TO THE ACCOUNTS

Movements in 2010/11	Council Dwellings	Other Land & Buildings	Infrastructure	Vehicles, Plant, Furniture & Equipment	Community Assets	Assets Under Construction	Assets Not Held for Sale	Total Plant, Property & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
At 1 April 2010	1,168,172	488,001	215,465	37,013	7,480	28,331	6,866	1,951,328
Additions	47,306	19,166	11,500	8,680	3,389	35,482	7	125,530
Donations								-
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(18,874)	53,266	-	-	-	(351)	(406)	33,635
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	(157,616)	(19,160)	-	-	-	-	(5,761)	(182,537)
Derecognition - Disposals	(2,119)	(41,943)	-	-	(19)	-	(14)	(44,095)
Derecognition - Other Assets reclassified (to) / from Held for Sale	-	(162)	-	-	-	(2,238)	-	-
Other movements in Cost or Valuation	(1,625)	19,640	-	-	-	(17,607)	1,476	(2,400)
								1,884
At 31 March 2011	1,035,244	518,808	226,965	45,693	10,850	43,617	2,168	1,883,345
Accumulated Depreciation and Impairment								
At 1 April 2010	(18,867)	(33,471)	(48,964)	(15,140)	(50)	-	(46)	(116,538)
Depreciation Charge	(19,114)	(11,367)	(6,167)	(5,927)	-	-	-	(42,575)
Depreciation written out to the Revaluation Reserve	18,867	21,964	-	-	-	-	-	40,831
Depreciation written out to the Surplus / Deficit on the Provision of Services	-	-	-	-	-	-	-	-
Impairment losses / (reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	-	-	-	-	-	-	-	-
Derecognition - Disposals	31	2,326	-	-	-	-	-	2,357
Derecognition - Other	-	-	-	-	-	-	-	-
Other movements in Depreciation and Impairment	44	54	-	-	-	(29)	(47)	22
At 31 March 2011	(19,039)	(20,494)	(55,131)	(21,067)	(50)	(29)	(93)	(115,903)
Net Book Value								
At 1 April 2010	1,149,305	454,530	166,501	21,873	7,430	28,331	6,820	1,834,790
At 31 March 2011	1,016,205	498,314	171,834	24,626	10,800	43,588	2,075	1,767,442

NOTES TO THE ACCOUNTS

9. Investment Properties

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

2009/10 £'000		2010/11 £'000
4,675	Rental income from investment property	4,327
(1,350)	Direct operating expenses arising from investment property	(957)
3,325	Net gain / (loss)	3,370

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year:

2009/10 £'000		2010/11 £'000
131,502	Balance at start of the year	114,280
1,886	Additions: Subsequent expenditure	796
(6,052)	Disposals	(1,837)
(12,690)	Net gains / (losses) from fair value adjustments	1,563
(366)	Other changes	(1,884)
114,280	Balance at the end of the year	112,918

10. Assets Held for Sale

	2009/10 £'000	2010/11 £'000
Balance outstanding at start of year	219	-
Assets newly classified as held for sale: Property Plant and Equipment	-	2,400
Revaluation losses	(22)	(940)
Assets Sold	(301)	(1,024)
Other movements	104	(22)
Balance outstanding at year end	-	414

NOTES TO THE ACCOUNTS

11. Financial Instruments

The borrowings and investments disclosed in the Balance Sheet (carrying value) are made up of the following categories of financial instruments:

	Current 31-Mar-09 £000s	Long Term 31-Mar-09 £000s	Total £000s	Current 31-Mar-10 £000s	Long Term 31-Mar-10 £000s	Total £000s	Current 31-Mar-11 £000s	Long Term 31-Mar-11 £000s	Total £000s
LIABILITIES									
Borrowings:									
Financial Liabilities (principal amount)	61,111	515,684	576,795	125,181	505,108	630,289	82,491	544,734	627,225
Plus accrued interest	7,336	-	7,336	8,005	-	8,005	7,178	-	7,178
Other Accounting Adjustments	-	1,935	1,935	-	1,257	1,257	659	1,237	1,896
Total Borrowings at amortised cost	68,447	517,619	586,066	133,186	506,365	639,551	90,328	545,971	636,299
PFI & Finance Lease Liabilities	3,348	34,662	38,010	2,610	43,686	46,296	2,424	56,035	58,459
Creditors	102,608	-	102,608	98,197	-	98,197	90,236	-	90,236
TOTAL LIABILITIES	174,403	552,281	726,684	233,993	550,051	784,044	182,988	602,006	784,994
ASSETS									
Loans & Receivables:									
Principal	47,550	-	47,550	82,000	691	82,691	44,200	-	44,200
Plus accrued interest	1,068	-	1,068	200	-	200	120	-	120
Other Accounting Adjustments	-	-	-	-	-	-	-	-	-
Total Loans & Receivables at amortised cost	48,618	-	48,618	82,200	691	82,891	44,320	-	44,320
Available for Sale Financial assets	-	-	-	-	20,148	20,148	-	20,148	20,148
Unquoted Equity Investment at cost	-	7,730	7,730	-	691	691	-	691	691
Total Investments	48,618	7,730	56,348	82,200	21,530	103,730	44,320	20,839	65,159
Debtors	63,995	-	63,995	69,825	-	69,825	61,033	-	61,033
Soft Loans									
Principal	-	1,909	1,909	-	1,960	1,960	-	1,351	1,351
Accounting Adjustments	-	(321)	(321)	-	(182)	(182)	-	(126)	(126)
Total Soft Loans	-	1,588	1,588	-	1,778	1,778	-	1,225	1,225
TOTAL ASSETS	112,613	9,318	121,931	152,025	23,308	175,333	105,353	22,064	127,417

NOTES TO THE ACCOUNTS

Amortised cost

Under accounting requirements, the financial instruments shown in the balance sheet should be shown at 'amortised cost'. This is the carrying amount and comprises the principal amount borrowed or lent and further adjustments for breakage costs or stepped interest loans (measured by an effective interest rate calculation) including accrued interest. Accrued interest is shown separately in current assets/liabilities where the payments/receipts are due within one year. The effective interest rate is effectively accrued interest receivable under the instrument, adjusted for the amortisation of any premiums or discounts reflected in the purchase price.

Soft Loans

Following a change to Council policy in July 2010, the Council ceased issuing car loans to employees. This is reflected by the reduction in the total amount of car loans at 31st March 2011.

Gains/Losses of Financial Instruments

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

	2009/10			
	Financial Liabilities	Financial Assets		Total
	Measured at Amortised Cost £'000	Loans & Receivables £'000	Available for Sale Assets £'000	
	£'000	£'000	£'000	£'000
Total expenses in Surplus or Deficit on the Provision of Services:				
Interest Expense	(33,835)	-	-	(33,835)
Total income in Surplus or Deficit on the Provision of Services:				
Interest Income	-	603	-	603
Surplus arising on revaluation of financial assets in Other Comprehensive Income & Expenditure:				
Gains on Revaluation	-	138	12,418	12,556
Net Gain / (Loss) for the Year	(33,835)	741	12,418	(20,676)

	2010/11			
	Financial Liabilities	Financial Assets		Total
	Measured at Amortised Cost £'000	Loans & Receivables £'000	Available for Sale Assets £'000	
	£'000	£'000	£'000	£'000
Total expenses in Surplus or Deficit on the Provision of Services:				
Interest Expense	(35,016)	-	-	(35,016)
Total income in Surplus or Deficit on the Provision of Services:				
Interest Income	-	675	-	675
Surplus arising on revaluation of financial assets in Other Comprehensive Income & Expenditure:				
Gains on Revaluation	-	57	-	57
Net Gain / (Loss) for the Year	(35,016)	732	-	(34,284)

NOTES TO THE ACCOUNTS

Servicing of Debt

In 2010/11 the average interest rate incurred on borrowing by the Council was 5.17% (2009/10 was 5.57%). The interest rate charged to the Housing Revenue Account was 4.65% (2009/10 was 4.92%).

The Council bears repayment and interest charges on debt in respect of assets transferred from other local authorities. The Council also meets such costs in respect of debt originally met by West Midlands County Council but for which the Council has been responsible since 1st April 1986. The total ex West Midlands County Council debt is managed by Dudley Metropolitan Borough Council and recharged to districts partly on a population basis and partly on the basis of the area in which the asset is located. The average interest rate charged by Dudley M.B.C. in 2010/11 was 6.7% (2009/10 was 6.7%). The debt managed by Dudley M.B.C. has been rescheduled over a 40-year period and the debt period, therefore no longer relates to the life of the assets.

Fair value of Assets and Liabilities carried at Amortised Cost

Financial liabilities and financial assets represented by loans and receivables are carried on the balance sheet at amortised cost, (in long term assets/liabilities with accrued interest in current assets/liabilities). Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- For loans from the PWLB and other loans payable, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the principal outstanding or the billed amount;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

Financial Liabilities

The fair values calculated are as follows:

	31-Mar-09		31-Mar-10		31-Mar-11	
	Carrying Amount £000s	Fair Value £000s	Carrying Amount £000s	Fair Value £000s	Carrying Amount £000s	Fair Value £000s
PWLB Debt	418,670	528,625	408,598	494,666	448,535	541,043
Non PWLB Debt	94,591	93,097	94,575	90,032	94,554	98,094
Other Local Authority Debt	21,408	21,408	20,877	20,877	20,288	20,288
Market Bond	789	1,128	789	1,069	750	1,047
Other Temporary Borrowing	50,608	50,608	114,712	114,711	72,172	72,172
Total Debt	586,066	694,866	639,551	721,355	636,299	732,644
Trade Creditors	102,608	102,608	98,197	98,197	90,236	90,236
Total Financial Liabilities	688,674	797,474	737,748	819,552	726,535	822,880

Overall, the fair value is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date.

NOTES TO THE ACCOUNTS

The fair values for the financial liabilities have been determined by reference to the Public Works Loans Board (PWLB) redemption rules and prevailing PWLB redemption rates as at each balance sheet date and include accrued interest. The fair values for non-PWLB debt have also been calculated using the same procedures and interest rates and this provides a sound approximation for fair value for these instruments.

Financial Assets

The fair values calculated are as follows:

	31-Mar-09		31-Mar-10		31-Mar-11	
	Carrying Amount £000s	Fair Value £000s	Carrying Amount £000s	Fair Value £000s	Carrying Amount £000s	Fair Value £000s
Short Term:						
Money market loans	48,618	48,618	82,200	82,200	44,200	44,200
Soft Loans	1,588	1,588	1,778	1,778	1,225	1,225
Trade Debtors	63,995	63,995	69,825	69,825	61,033	61,033
	114,201	114,201	153,803	153,803	106,458	106,458
Long Term:						
Birmingham Airport Shares	7,730	7,730	20,148	20,148	20,148	20,148
Local Education Partnership	-	-	691	691	691	691
Total Loans & Receivables	121,931	121,931	174,642	174,642	127,297	127,297

The carrying amount and the fair value of the Council's financial assets are the same due to the short-term nature of the transactions.

The long term investment in Birmingham Airport was valued in 2009/10 and is currently shown in the Balance Sheet at the 2009/10 valuation, since there is no quoted market price in an active market and any difference in the fair value since it's valuation in 2010 is likely to be immaterial.

The Council has invested in Sandwell Futures Ltd, a Local Education Partnership company established under the government's Building Schools for the Future initiative. The purpose of the company is to act in partnership with the authority to procure new and improved school buildings via both direct procurement and the Private Finance Initiative. The Council has a 10% shareholding acquired at a nominal cost and a £113k holding of 10% loan stock in the company. A further £58k has been invested via the LEP into Sandwell PFI One Ltd. Sandwell PFI One Ltd is the vehicle established to deliver the Sandwell Rowley Campus PFI. The Council has a direct shareholding in the PFI One Ltd, acquired at a nominal cost and a £520k holding of 10% loan stock.

The investment in the Local Education Partner is shown at cost, as there is no reliable market value and the fair value cannot be measured reliably.

Nature and Extent of Risk arising from Financial Instruments

Key Risks

The Council's activities expose it to a variety of financial risks. The key risks are:

- Credit Risk – the possibility that other parties might fail to pay amounts due to the Council;
- Liquidity Risk – the possibility that the Council might not have funds available to meet its commitments to make payments;

- Re-financing Risk – the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rate or terms;
- Market Risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rate movements.

Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework based on the Local Government Act 2003 and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and investment guidance issued through the Act. Overall, these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice;
 - by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations and constitution;
 - by approving annually in advance prudential and treasury indicators for the following three years limiting:
 - The Council's overall borrowing
 - It's maximum and minimum exposures to fixed and variable rates;
 - It's maximum and minimum exposures for the maturity structure of it's debt;
 - It's maximum annual exposure to investments maturing beyond a year
- (further information on the Council's Treasury Management & Investment Strategy can be found on Sandwell's Internet site)
- by approving an investment strategy for the forthcoming year setting out it's criteria for both investing and selecting investment counterparties in compliance with the Government guidance.

These are required to be reported and approved at or before the Council's annual Council tax and budget setting. These items are reported with the annual treasury management strategy, which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported half yearly to Members.

The annual Treasury Management and Investment Strategy which incorporates the prudential indicators was approved by Council on 2nd March 2010. The strategy is available on the Council website. The key issues within the strategy are:

- The Authorised Limit for 2010/11 was set at £776.841m. This is the maximum limit of external borrowings and other long term liabilities;
- The operational Boundary was expected to be £682.195m. This is the expected level of debt and other long term liabilities during the year;
- The maximum amounts of fixed and variable interest rate exposure were set at 160% and 30% based on the Council's net debt;
- The maximum and minimum exposures to the maturity structure of debt are shown under Refinancing & Maturity Risk.

A central treasury team implements these policies. The Council maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate

NOTES TO THE ACCOUNTS

risk, credit risk and the investment of surplus cash through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed regularly.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poors Ratings Services. The Annual Investment Strategy also imposes a maximum amount and time to be invested with a financial institution located within each category. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. Additional selection criteria are also applied after this initial criteria is applied. Details of the Investment Strategy can be found on the Council's website; the key areas of the Investment Strategy are that the minimum criteria for investment counterparties include:

- Credit ratings of Short Term of F1, Long Term A, Support 3 and Individual C (Fitch or equivalent rating), with the lowest available rating being applied to the criteria
- Building Societies that meet the same credit ratings as banks (above)
- UK Institutions provided with support from the UK government

The full Investment Strategy was approved by Council on 2nd March 2010.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Council.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally, as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be able to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but no breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any losses from non performance by any of its counterparties in relations to deposits.

All of the £44.200m deposits were held with British banks and local authorities on a temporary basis at 31 March 2011.

During 2010/11, the Council did not hold any collateral as security.

The following analysis summarises the Council's maximum exposure to credit risk on other financial assets, based on experience of default, adjusted to reflect current market conditions:

Principal Amount	Historical experience of default	Adjustment for market conditions	Estimated maximum exposure to default		
31-Mar-11 £'000	31-Mar-11 %	31-Mar-11 %	31-Mar-11 £'000	31-Mar-10 £'000	31-Mar-09 £'000
17,926	9.63	9.63	1,726	2,472	3,022

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The Council does not allow credit for its customers. The past due amount can be analysed by age as follows:

	2008/09 £'000	2009/10 £'000	2010/11 £'000
Less than three months			
- No provision made	14,259	12,453	10,726
- Specific provision made	779	391	350
- General provision made	-	-	-
	15,038	12,844	11,076
Three to six months			
- No provision made	2,864	2,098	2,529
- Specific provision made	85	55	43
- General provision made	-	-	-
	2,949	2,153	2,572
Six months to one year			
- No provision made	1,719	1,615	1,545
- Specific provision made	55	83	70
- General provision made	-	-	-
	1,774	1,698	1,615
More than one year			
- No provision made	675	426	604
- Specific provision made	84	11	352
- General provision made	2,724	3,470	1,707
	3,483	3,907	2,663
Total	23,244	20,602	17,926

Liquidity Risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management, as required by the Code of Practice. This seeks to ensure that cash is available when it is needed.

The Council has ready access to borrowings from the money markets to cover any day-to-day cash flow need and the PWLB and money markets provide access to longer-term funds.

The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The maturity analysis of financial assets, excluding sums due from customers, is as follows:

NOTES TO THE ACCOUNTS

	Principal 31-Mar-2009 £000's	Principal 31-Mar-2010 £000's	Principal 31-Mar-2011 £000's
Less than one year	47,550	82,000	44,200
Between one and two years	1,909	1,960	1,351
Between two and five years	0	0	0
More than five years	7,730	20,839	20,839
	57,189	104,799	66,390

Refinancing and Maturity Risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer-term financial liabilities and longer-term financial assets.

The approved prudential indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day-to-day cash flow needs and the spread of longer-term investments provide stability of maturities and returns in relation to the longer-term cash flow needs.

The maturity analysis of financial liabilities (borrowings) is as follows, with the maximum and minimum limits for fixed interest rates maturing in each period (approved by Council in the Treasury Management Strategy, see Note above on Overall Procedures for Managing Risk:

	Approved Minimum Limits	Approved Maximum Limit (of total debt)	Principal 31-Mar-2009 £000's	Principal 31-Mar-2010 £000's	Principal 31-Mar-2011 £000's
Less than one year	0%	20% (£125m)	61,111	125,182	82,491
Between one and two years	0%	20% (£125m)	10,588	8,139	17,930
Between two and five years	0%	25% (£157m)	39,628	42,315	44,981
Between five and ten years	0%	50% (£314m)	60,773	51,245	69,985
More than ten years	0%	90% (£565m)	404,695	403,408	411,838
			576,795	630,289	627,225

NOTES TO THE ACCOUNTS

All trade and other payables are due to be paid in less than one year and trade creditors of £3.606m are not shown in the table above.

Market Risk

Interest Rate Risk – The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;
- Borrowings at fixed rates – the fair value of the borrowing liability will fall (no impact on revenue balances);
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise;
- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and effect the General Fund Balance, subject to influences from Government grants. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Other Comprehensive Income and Expenditure Statement.

The Council has a number of strategies for managing interest rate risk. The annual Treasury Management Strategy draws together Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a prudential indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance, during periods of falling interest rates and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long-term returns; similarly the drawing of longer term fixed rates borrowing would be postponed.

The risk of interest rate loss is partially mitigated by Government grant payable on financing costs.

The Council's debt and investments are currently all held at fixed rates of interest. Therefore, there would be no impact from an increase in interest rates, so there is no need for a sensitivity analysis. However, if interest rates had been 1% higher with all other variables held constant the fair value of the Council's debt would result in a decrease of £77m but this would not have any impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure.

Price Risk – The Council, excluding the pension fund, does not generally invest in equity shares but does have shareholdings to the value of £20.148m in Birmingham Airport and £0.691m in the Local Education Partner. Whilst these holdings are generally illiquid, the Council is exposed to losses arising in movements in the prices of the shares.

As the shareholdings have arisen in the acquisition of specific interests, the Council is not in a position to limit its exposure to price movements by diversifying its portfolio. Instead, it only

NOTES TO THE ACCOUNTS

acquires shareholdings in return for “open book” arrangements with the company concerned so that the Council can monitor factors that might cause a fall in the value of specific shareholdings.

Foreign Exchange Risk – The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

12. Short-term Debtors

	2008/09 £'000	2009/10 £'000	2010/11 £'000
Central Government Bodies	23,246	12,556	20,452
Other Local Authorities	6,456	6,296	5,142
NHS Bodies	765	1,190	2,031
Public Corporations and Trading Funds	766	1,115	225
Other Entities and Individuals	32,762	48,668	33,183
Total	63,995	69,825	61,033

The debtors figures above are net of provisions for bad and doubtful debts of £21.900m (£19.251m in 2009/10, £18.588m in 2008/09). These provisions enable the write off of arrears on housing rents, rates, community charges, council tax and other sundry debtors.

13. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

	2008/09 £'000	2009/10 £'000	2010/11 £'000
Bank current accounts	8,408	10,725	13,889
Short term deposits	9,000	21,000	20,000
Total Cash and Cash Equivalents	17,408	31,725	33,889

14. Short Term Creditors

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	2008/09 £'000	2009/10 £'000	2010/11 £'000
Central Government Bodies	28,382	33,401	34,689
Other Local Authorities	12,339	8,062	6,910
NHS Bodies	1,889	1,439	3,036
Public Corporations and Trading Funds	3,234	1,365	773
Other Entities and Individuals	56,764	53,930	44,828
Total	102,608	98,197	90,236

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15. Provisions

The table below shows the movements during the year in the provisions maintained by the Council. These movements have been charged or generated under the appropriate headings in the service revenue accounts. These monies represent provisions for future expenses in respect of liabilities incurred in relation to the year under review. The expected timing of any resultant transfer of economic benefit is currently difficult to determine at this stage.

	Opening Balance at 1 April 2009 £'000	Additional Provisions in Year £'000	Amounts Used in Year £'000	Unused Amounts Reversed in Year £'000	Closing Balance at 31 March 2010 £'000	Additional Provisions in Year £'000	Amounts Used in Year £'000	Unused Amounts Reversed in Year £'000	Closing Balance at 31 March 2011 £'000
Pending Legal / Litigation Claim	8	-	-	-	8	-	-	-	8
Milestone Delay Deductions	-	532	-	-	532	-	(451)	(81)	-
Housing Retirement Costs	-	170	-	-	170	-	(170)	-	-
Economic Regen Redundancy Costs	-	175	-	-	175	-	(162)	-	13
Highways & Environment Redundancy	137	-	(75)	-	62	-	(62)	-	-
Finance & Business Services Retirement	53	-	(53)	-	-	-	-	-	-
Senior Management Retirement	148	-	(147)	(1)	-	-	-	-	-
Insurance	5,221	-	(42)	-	5,179	-	(183)	-	4,996
Single Status - Equal Pay Settlement	30,644	-	(26,321)	-	4,323	1,175	(4,323)	-	1,175
Coroners Court Costs	-	-	-	-	-	30	-	-	30
Corporate Services Redundancy Costs	-	-	-	-	-	1,105	-	-	1,105
Children & Families Redundancy Costs	-	-	-	-	-	2,258	-	-	2,258
Adult Services Redundancy Costs	-	-	-	-	-	2,141	-	-	2,141
Urban Regeneration Redundancy Costs	-	-	-	-	-	670	-	-	670
Accumulated Absences Provision	6,332	7,580	(6,332)	-	7,580	7,418	(7,580)	-	7,418
Specific Provisions	42,543	8,457	(32,970)	(1)	18,029	14,797	(12,931)	(81)	19,814

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The main provisions held are:

- The Council has assessed its overall potential liability across the workforce regarding equal pay settlements. The capitalisation directive for which the Council applied for ceased on 31st March 2011 therefore the existing provision was written out of the accounts. A new provision was created in year which reflects the latest potential liability of £1.175m.
- In light of the ongoing council wide restructuring required to address efficiency savings as a result of central government cuts, the accounts include thematic redundancy provisions totalling £6.174m. These provisions reflect the latest known costs of all redundancies approved as at 31 March 2011.
- An insurance provision of £4.996m for previous years' employee and public liability claims is held in line with recommendations of the actuarial valuation. Further details on the Council's insurance fund can be found in Note (xxiii) on page 80 of the Statement of Accounting policies.
- In accordance with IFRS, an accumulated absences provision is now maintained to represent the value of untaken annual leave, owed to employees as at 31 March 2011. This provision is required to ensure that the cost of services is reflected within the period that they are actually rendered. The value of the provision for 2010/11 is £7.418m.

16. Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and Note 6 to the accounts.

Balance on Revenue Account

The Council held total revenue balances of £39.517m as at 31 March 2011, however, included within this figure are approved committed items relating to service under and overspends carried forward into 2011/12 and additional approved revenue expenditure on specific items in 2011/12.

	2009/10 £'000	2010/11 £'000
Revenue Balance	38,599	39,517
less Committed Items:		
Revenue contribution to capital expenditure	8,400	7,122
Earmarked central items	16,708	18,915
Total Available Resources	13,491	13,480

Schools Balances

Any balances relating to schools are ring fenced and cannot be appropriated by the Council. In 2010/11 schools underspent by £3.548m against target budget, giving a carry forward balance of £17.698m. Fund balances relating to foundation schools amount to £0.347m which have been included within total school balances of £18.045m.

Schools are now directly funded from a Dedicated Schools Grant. In 2010/11, 45 schools overspent their DSG budget totalling £1.900m and 67 underspent totalling £3.787m. Other non-schools budgets, which are part of the overall Individual School Budgets (ISB) underspent by £1.661m giving a total underspend of £3.548m.

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Usable Capital Receipts

The usable capital receipts reserve can be used to meet expenditure designated for capital purposes. The table below shows the movements in 2010/11:

	2009/10 £'000	2010/11 £'000
Amounts receivable in year	10,368	7,535
Amounts applied to finance new capital investment in year	(8,271)	(5,047)
Pooled capital receipts paid to DCLG	(1,990)	(2,307)
Reserved capital receipts	(107)	(181)
Total increase / (decrease) in realised capital resources	-	-
Balance brought forward 1 April	-	-
Balance carried forward 31 March	-	-

17. **Unusable Reserves**

The table below summarises the balances on the Council's Unusable Reserves:

	2008/09 £'000	2009/10 £'000	2010/11 £'000
Revaluation Reserve	(63,760)	(83,835)	(149,366)
Available for Sale Financial Instruments Reserve	-	(12,418)	(12,418)
Capital Adjustment Account	(1,336,842)	(1,123,116)	(921,114)
Financial Instruments Adjustment Account	2,930	2,766	2,707
Pensions Reserve	330,028	499,867	402,411
Collection Fund Adjustment Account	2,899	1,566	1,166
Accumulating Compensated Absences Adjustment Account	6,332	7,580	7,418
Total Unusable Reserves	(1,058,413)	(707,590)	(669,196)

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and the gains are realised

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

NOTES TO THE ACCOUNTS

	2009/10 £'000	2010/11 £'000
Balance at 1 April	(63,760)	(83,835)
Upward revaluation of assets	(49,526)	(103,307)
Downward revaluation of assets and impairment losses not charged to the Surplus / Deficit on the Provision of Services	14,106	28,815
Surplus or deficit on revaluation of non current assets not posted to the Surplus or Deficit on the Provision of Services	(35,420)	(74,492)
Difference between fair value depreciation and historical cost depreciation	520	1,235
Accumulated gains on assets sold or scrapped	156	7,726
Amount written off to the Capital Adjustment Account	14,669	-
Balance at 31 March	(83,835)	(149,366)

Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the Council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- Revalued downwards or impaired and the gains are lost
- Disposed of and the gains are realised.

	2009/10 £'000	2010/11 £'000
Balance at 1 April	-	(12,418)
Upward revaluation of investments	(12,418)	-
Balance at 31 March	(12,418)	(12,418)

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

NOTES TO THE ACCOUNTS

Note 6 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2009/10 £'000	2010/11 £'000 £'000
Balance at 1 April	(1,336,842)	(1,123,116)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Depreciation and impairment of non current assets	41,120	42,576
Revaluation losses on property, plant and equipment	248,090	183,503
Revenue expenditure funded from capital under statute	5,727	48,968
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&ES	31,883	44,600
Govt Grants Deferred Write Out	230	-
	327,050	319,647
Adjusting amounts written out of the Revaluation Reserve	(15,345)	(8,961)
Net written out amount of the cost of non current assets consumed in the year	311,705	310,686
Capital financing applied in the year:		
Use of the Capital receipts Reserve	(8,271)	(5,047)
Use of the Major Repairs Reserve	(16,588)	(13,512)
Capital grants and contributions credited to the CI&ES that have been applied to capital financing	(35,542)	(66,475)
Applications of grants to capital financing from the Capital Grants Unapplied Account	(1,631)	(17,792)
Statutory provision for the financing of capital investment	(16,046)	(17,917)
Capital expenditure charged against the General Fund and HRA balances	148	19,067
Revenue Contributions to Capital	(6,651)	(4,121)
Capitalisation Directive	(26,321)	(1,142)
Reserved Capital Receipts	(15)	(181)
	(110,917)	(107,120)
Movements in the market value of Investment Properties debited or credited to the CI&ES	12,938	(1,564)
Balance at 31 March	(1,123,116)	(921,114)

Financial Instruments Adjustment Account

The Financial Instrument Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses the Account to manage premiums/discounts paid/received on the early redemption of loans, and differences in interest relating to soft loans and variable rate loans (LOBOs).

NOTES TO THE ACCOUNTS

	2009/10 £'000	2010/11 £'000
Balance at 1 April	2,930	2,766
Proportion of premiums/discounts incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements:		
Discounts & Premiums	(6)	18
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements:		
Soft Loans	(139)	(57)
Market Loans (LOBOs)	(19)	(20)
Balance at 31 March	2,766	2,707

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pay any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2009/10 £'000	2010/11 £'000
Balance at 1 April	330,028	499,867
Actuarial gains or losses on pensions assets and liabilities	154,233	(50,712)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	43,770	(18,025)
Employer's pensions contributions and direct payments to pensioners payable in the year	(28,164)	(28,719)
Balance at 31 March	499,867	402,411

NOTES TO THE ACCOUNTS

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	2009/10 £'000	2010/11 £'000
Balance at 1 April	2,899	1,566
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(1,333)	(400)
Balance at 31 March	1,566	1,166

Accumulating Compensated Absences Adjustment Account

The Accumulating Compensated Absences Adjustment Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements required that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	2009/10 £'000	2010/11 £'000 £'000
Balance at 1 April	6,332	7,580
Settlement or cancellation of accrual made at the end of the preceding year	(6,332)	(7,580)
Amounts accrued at the end of the current year	7,580	7,418
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	1,248	(162)
Balance at 31 March	7,580	7,418

18. **Cash Flow Statement – Surplus/Deficit on the Provision of Services for Non Cash Movements**

	2009/10 £'000	2010/11 £'000
Non Cash Transactions:		
Depreciation and impairment of fixed assets	(271,267)	(226,803)
Government Grants Deferred amortisation	(230)	-
Revenue expenditure funded from capital under statute	(5,727)	(28,599)
Net (gain)/loss on the sale of non current assets	(21,473)	(37,114)
Net charges made for retirement benefits in accordance with IAS19	(15,606)	46,744
Appropriations to/from Collection Fund Adjustment Account	1,334	461
Provision for Equal Pay	26,321	1,142
Appropriations to/from Accumulated Absences Account	(1,247)	161
Gains / Losses on Revaluation	(12,981)	1,612
Taxation & Specific Grants	55,935	46,866
Other non cash transactions	(549)	(73)
	(245,490)	(195,603)
Items on an Accruals Basis:		
Increase/(decrease) in Inventories	(25)	376
Increase/(decrease) in Debtors	10,482	(7,648)
(Increase)/decrease in Creditors	(13,952)	9,603
Increase/(decrease) in Landfill Allowances	-	-
(Increase)/decrease in Provisions	(559)	(3,088)
	(4,054)	(757)
Net surplus / deficit on the provision of services for non cash movements	(249,544)	(196,360)

19. **Amounts Reported for Resource Allocation Decisions**

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice. However, decisions about resource allocation are taken by the Council's Cabinet on the basis of budget reports analysed across thematic areas. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- No charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- The cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- Expenditure on some support services is budgeted for centrally and not charged to the thematic areas.

NOTES TO THE ACCOUNTS

The income and expenditure of the Council's thematic areas recorded in the budget reports for the year is as follows:

2010/11	Adult Services	Children & Young People's Services	Corporate Services	Urban Regeneration	HRA	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Employees	50,643	241,214	57,602	32,239	61	381,759
Premises	2,940	24,942	14,743	3,341	208	46,174
Transport	1,979	5,659	298	9,253	-	17,189
Supplies & Services	42,487	503,613	29,658	43,910	11,168	630,836
Third Party Payments	96,623	23,555	20,909	4,248	52,668	198,003
Transfer Payments	3,708	916	152,475	-	-	157,099
Capital Charges	10,544	48,586	18,476	18,686	197,227	293,519
Capital Financing	-	-	-	-	18,272	18,272
Total Expenditure	208,924	848,485	294,161	111,677	279,604	1,742,851
Specific Grants	(5,062)	(242,355)	(174,143)	(4,574)	1,326	(424,808)
Other Grants & Contributions	(35,852)	(5,715)	(6,038)	(526)	(1)	(48,132)
Fees & Charges	(16,296)	(29,026)	(17,780)	(18,641)	(104,786)	(186,529)
Recharges in Target	(23,448)	(458,204)	(34,731)	(19,807)	-	(536,190)
Other Income	(364)	(6,816)	(8,913)	(4,379)	(6)	(20,478)
Total Income	(81,022)	(742,116)	(241,605)	(47,927)	(103,467)	(1,216,137)
Net Expenditure	127,902	106,369	52,556	63,750	176,137	526,714

2009/10	Adult Services	Children & Young People's Services	Corporate Services	Urban Regeneration	HRA	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Employees	49,504	233,347	43,898	33,205	64	360,018
Premises	3,233	26,033	10,076	2,690	(143)	41,889
Transport	2,030	5,143	267	9,840	-	17,280
Supplies & Services	42,045	494,059	17,803	36,231	4,467	594,605
Third Party Payments	93,420	20,534	18,079	2,467	57,980	192,480
Transfer Payments	2,085	1,141	-	11	-	3,237
Capital Charges	28,936	36,305	5,369	16,033	211,599	298,242
Gross Expenditure	221,253	816,562	95,492	100,477	273,967	1,507,751
Specific Grants	(15,876)	(244,499)	(4,643)	(3,707)	951	(267,774)
Other Grants & Contributions	(33,539)	(13,189)	(5,302)	(558)	(80)	(52,668)
Fees & Charges	(14,537)	(15,266)	(11,190)	(17,014)	(103,647)	(161,654)
Recharges in Target	(21,647)	(444,688)	(26,321)	(20,595)	(29)	(513,280)
Other Income	(83)	(159)	(42)	1,277	(90)	903
Gross Income	(85,682)	(717,801)	(47,498)	(40,597)	(102,895)	(994,473)
Net Expenditure	135,571	98,761	47,994	59,880	171,072	513,278

NOTES TO THE ACCOUNTS

Reconciliation of Income and Expenditure based on a Thematic basis to the Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures included in the analysis of thematic income and expenditure relates to the amounts included in the Comprehensive Income and Expenditure Statement.

	2009/10 £'000	2010/11 £'000
Net expenditure in the Theme Analysis	513,278	526,714
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	(39,279)	(92,516)
Appropriations to Reserves	(16)	(3,160)
Net Cost of Services in Comprehensive Income and Expenditure Statement	473,983	431,038

Reconciliation to Subjective Analysis

This reconciliation shows how the figures included in the analysis of thematic income and expenditure relates to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2010/11	Theme Analysis £'000	Amounts not reported to management £'000	Appropriations to Reserves £'000	Net Cost of Services £'000	Corporate Amounts £'000	Total £'000
Employees	381,759	(92,325)	(100)	289,334		289,334
Premises	46,174	(10,971)	(410)	34,793		34,793
Transport	17,189	(7,164)	-	10,025		10,025
Supplies & Services	630,836	(476,526)	97	154,407		154,407
Third Party Payments	198,003	(44,958)	15	153,060		153,060
Transfer Payments	157,099			157,099		157,099
Capital Charges	293,519			293,519		293,519
Capital Financing	18,272			18,272		18,272
Levies				-	15,616	15,616
Interest Payments		(18,079)		(18,079)	35,016	16,937
Payments to Housing Capital Receipts Pool				-	2,307	2,307
(Gains)/Losses on Disposal of Non Current Assets				-	37,114	37,114
Losses on revaluation of Assets Held for Sale				-	940	940
Pensions interest cost and expected return on pensions assets				-	20,149	20,149
Gross Expenditure	1,742,851	(650,023)	(398)	1,092,430	111,142	1,203,572
Specific Grants	(424,808)		(1,473)	(426,281)		(426,281)
Other Grants & Contributions	(48,132)	21,937		(26,195)		(26,195)
Fees & Charges	(186,529)		(1,289)	(187,818)		(187,818)
Recharges in Target	(536,190)	535,570		(620)		(620)
Other Income	(20,478)			(20,478)		(20,478)
Interest & Investment Income				0	(732)	(732)
Income & expenditure re Investment Properties				0	(4,982)	(4,982)
Income from council tax				0	(99,789)	(99,789)
Income from Non Domestic Rates				0	(160,069)	(160,069)
Government Grants and contributions				0	(106,763)	(106,763)
Gross Income	(1,216,137)	557,507	(2,762)	(661,392)	(372,335)	(1,033,727)
Surplus or deficit on the provision of services	526,714	(92,516)	(3,160)	431,038	(261,193)	169,845

NOTES TO THE ACCOUNTS

2009/10	Theme Analysis £'000	Amounts not reported to management £'000	Appropriations to Reserves £'000	Net Cost of Services £'000	Corporate Amounts £'000	Total £'000
Employees	360,018	(36,648)	128	323,498		323,498
Premises	41,889	24		41,913		41,913
Transport	17,280			17,280		17,280
Supplies & Services	594,605	(57)	(800)	593,748		593,748
Third Party Payments	192,480	255	684	193,419		193,419
Transfer Payments	3,237			3,237		3,237
Capital Charges	298,242	(3,018)		295,224		295,224
Non Target Recharges		41,309		41,309		41,309
Levies				-	15,440	15,440
Interest Payments		(17,173)		(17,173)	33,835	16,662
Income & expenditure re Investment Properties				-	9,657	9,657
Payments to Housing Capital Receipts Pool				-	1,990	1,990
(Gains)/Losses on Disposal of Non Current Assets				-	21,473	21,473
Pensions interest cost and expected return on pensions assets				-	25,861	25,861
Gross Expenditure	1,507,751	(15,308)	12	1,492,455	108,256	1,600,711
Specific Grants	(267,774)	(690)		(268,464)		(268,464)
Other Grants & Contributions	(52,668)		(360)	(53,028)		(53,028)
Fees & Charges	(161,654)		332	(161,322)		(161,322)
Recharges in Target	(513,280)			(513,280)		(513,280)
Other Income	903			903		903
Non Target Recharges		(23,281)		(23,281)		(23,281)
Interest & Investment Income				-	(741)	(741)
Income from council tax				-	(97,871)	(97,871)
Income from Non Domestic Rates				-	(144,571)	(144,571)
Government Grants and contributions				-	(121,764)	(121,764)
Gross Income	(994,473)	(23,971)	(28)	(1,018,472)	(364,947)	(1,383,419)
Surplus or deficit on the provision of services	513,278	(39,279)	(16)	473,983	(256,691)	217,292

20. Pooled Budgets

Utilising Section 75 of the National Health Act 2006, the Council has established a number of joint working arrangements with Sandwell Primary Care Trust (PCT). The Council has hosted two pooled budgets during 2010/11 and contributed to another, which was hosted by Sandwell PCT.

Purpose of Partnerships (Hosted by Sandwell MBC)

Learning Disability Services – To establish single commissioning arrangements for specialist learning disability services within Sandwell.

Community Equipment Services – To establish the lead management of a store, which provides the loan of equipment and provision of services to assist service user independence within Sandwell.

Purpose of Partnership (Hosted by Sandwell PCT)

Mental Health Services – To establish single commissioning arrangements for specialist mental health services within Sandwell.

Accounting Arrangements

In each case the standing orders and financial regulations of the pool host will apply to the management of the pool fund.

NOTES TO THE ACCOUNTS

Financial Performance

The financial performance of each pool for the year ended 31st March 2011 is shown below and overleaf. In accordance with the partnership agreements in place, the treatment of under and over spends varies between the pools.

The Community Equipment Services and Mental Health Services pools over spent in 2010/11 with the Learning Disability Services pool out-turning in an under spend position. All balances have been written off in year and therefore no balances will be carried forward into 2011/12.

Pooled Budgets Hosted by Sandwell MBC

Income and Expenditure Statement

Learning Disability Services 2009/10 £'000	Community Equipment Services 2009/10 £'000		Learning Disability Services 2010/11 £'000	Community Equipment Services 2010/11 £'000
		Expenditure		
1,770	524	Employees	1,453	568
163	47	Premises	47	44
91	69	Transport	66	77
9,463	919	Supplies & Services	9,628	1,035
25,476	-	Agency	27,151	-
36,963	1,559	Total Expenditure	38,345	1,724
		Income		
(1,099)	(58)	Excluding Partner Contributions	(1,094)	(199)
(1,099)	(58)	Total Income	(1,094)	(199)
35,864	1,501	Net Expenditure	37,251	1,525

Partner Contributions

Learning Disability Services 2009/10 £'000	Community Equipment Services 2009/10 £'000		Learning Disability Services 2010/11 £'000	Community Equipment Services 2010/11 £'000
35,864	1,501	Net Expenditure	37,251	1,525
		Partner Contributions		
(20,310)	(750)	Sandwell PCT	(21,175)	(763)
(15,255)	(751)	Sandwell MBC	(16,304)	(762)
(35,565)	(1,501)	Total Partner Contributions	(37,479)	(1,525)
299	-	Net (Under) / Over Spend In Year	(228)	-
-	-	(Under) / Over Spend B/Fwd	-	-
(299)	-	(Over) / Under Spend Written Off In Year	228	-
-	-	(Under) / Over Spend C/Fwd	-	-

NOTES TO THE ACCOUNTS

Pooled Budgets Hosted by Sandwell PCT Income and Expenditure Statement

2009/10 £'000	Mental Health Services	2010/11 £'000
27,321	Gross Expenditure	28,088
-	Income Excluding Partner Contributions	-
27,321	Net Expenditure	28,088
	Pool Contributions:	
(20,923)	Sandwell PCT	(21,469)
(6,238)	Sandwell MBC	(6,416)
(27,161)	Total Contribution	(27,885)
160	Net (Under) / Over Spend In Year	203

21. **Members Allowances**

The total amount paid during 2010/11 to elected members of the Council in respect of basic and special responsibility allowances was £1.321m (£1.310m in 2009/10).

22. **Officers' Remuneration**

Employees:

The number of employees whose remuneration, excluding employer's pension contributions, exceeded £50,000 is shown in the table below grouped into bands of £5,000. Due to the high number of redundancy payments made during 2010/11, numbers excluding these payments have also been included in brackets to enable more accurate comparisons to be made.

Remuneration Band	Number of Employees			
	2009/10		2010/11	
	Schools	Non Schools	Schools	Non Schools
£50,000 - £54,999	71	29	72 (70)	60 (47)
£55,000 - £59,999	42	17	52 (52)	29 (17)
£60,000 - £64,999	34	23	43 (43)	30 (25)
£65,000 - £69,999	15	9	14 (14)	11 (8)
£70,000 - £74,999	3	1	8 (8)	12 (1)
£75,000 - £79,999	11	4	12 (11)	4 (1)
£80,000 - £84,999	3	9	3 (4)	10 (4)
£85,000 - £89,999	1	3	4 (4)	1 (0)
£90,000 - £94,999	1	1	2 (1)	2 (0)
£95,000 - £99,999	0	2	2 (2)	3 (1)
£100,000 - £104,999	1	2	0 (0)	2 (0)
£105,000 - £109,999	1	1	0 (0)	1 (0)
£110,000 - £114,999	1	0	2 (1)	1 (0)
£115,000 - £119,999	0	2	1 (1)	0 (0)
£120,000 - £124,999	0	0	0 (0)	0 (0)
£125,000 - £129,999	0	0	0 (0)	2 (0)
£130,000 - £134,999	0	0	0 (0)	0 (0)
£135,000 - £139,999	0	0	0 (0)	0 (0)
£140,000 - £144,999	0	0	0 (0)	0 (0)
£145,000 - £149,999	0	0	0 (0)	1 (0)
£150,000 - £154,999	0	0	0 (0)	1 (0)
£155,000 - £159,999	0	0	0 (0)	2 (0)
£160,000 - £164,999	0	0	0 (0)	1 (0)
	184	103	215 (211)	173 (104)

NOTES TO THE ACCOUNTS

Senior Employees:

The following tables details officers who form the Council's Senior Management Board whose salaries are equal to or more than £50,000 per year.

In September 2010 a decision was taken to review the Senior Management Structure of the Council with the objective being to improve performance and value for money, whilst reducing costs in response to government budget reductions. The new structure was implemented on 1 January 2011. For comparative purposes two senior officer disclosure notes have been provided for 2010/11. The first note covers 1 April 2010 to 31 December 2010 based on the old structure consistent with 2009/10. The second covers the period 1 January 2011 to 31 March 2011 based on the new senior management structure.

April – December 2010

Position Title	Salary, Fees & Allowances £	Other Emoluments £	Total Remuneration exc Pension Contributions £	Employers Pension Contribution £	Total Remuneration inc Pension Contributions £	Pro Rata Salary £
Chief Executive - Doctor M A Fraser (a)	63,829	-	63,829	10,723	74,552	151,282
Chief Executive (Interim) (b)	43,244	-	43,244	7,265	50,509	139,000
Executive Directors:						
- Children & Young People's Services	46,919	15	46,934	7,882	54,816	130,728
- Urban Regeneration	49,099	-	49,099	8,249	57,348	111,312
- Adult & Community Services	87,401	-	87,401	14,683	102,084	116,005
- Finance & Corporate Services	91,404	285	91,689	15,356	107,045	121,318
	381,896	300	382,196	64,158	446,354	769,645

The Chief Executive (a) left the Authority on 1st September 2010

The Interim Chief Executive (b) was appointed on 9th September 2010

The Executive Director of Urban Regeneration became vacant on 9th September 2010.

The Executive Director of Children & Young Peoples Services started on 23rd August 2010.

January – March 2011

Position Title	Salary, Fees & Allowances £	Other Emoluments £	Total Remuneration exc Pension Contributions £	Employers Pension Contribution £	Total Remuneration inc Pension Contributions £	Pro Rata Salary £
Chief Executive (Interim) (b)	34,750	-	34,750	5,838	40,588	139,000
Corporate Directors:						
- People	32,808	-	32,808	5,512	38,320	131,232
- Place	28,467	-	28,467	4,783	33,250	113,869
Directors:						
- Legal & Governance Services	25,492	250	25,742	4,283	30,025	101,968
- Strategic Resources	30,468	-	30,468	5,119	35,587	114,233
- Improvement & Efficiency	25,422	-	25,422	4,271	29,693	101,687
Area Directors:						
- Learning & Culture	25,422	-	25,422	4,271	29,693	101,687
- Adult Social Care	21,373	-	21,373	3,591	24,964	85,490
- Personalisation & Partnership	21,373	-	21,373	3,591	24,964	85,490
- Regeneration & the Economy	21,373	-	21,373	3,591	24,964	85,490
- Street Scene	21,373	-	21,373	3,591	24,964	85,490
	288,321	250	288,571	48,441	337,012	1,145,636

The figures above represent the actual remuneration, following the implementation of the new structure on 1st January 2011.

The Area Director for Homes & Communities post is vacant at 31st March 2011.

The Area Director for Children's & Families post is vacant at 31st March 2011.

The Area Director for Commissioning post is vacant at 31st March 2011.

NOTES TO THE ACCOUNTS

2009/10

Position Title	Salary, Fees & Allowances £	Other Emoluments £	Total Remuneration exc Pension Contributions £	Employers Pension Contribution £	Total Remuneration inc Pension Contributions £	Pro Rata Salary £
Chief Executive - Doctor M A Fraser	152,174	-	152,174	24,804	176,978	152,174
Executive Directors:						
- Children & Young People's Services	93,132	3,281	96,413	15,181	111,594	131,232
- Urban Regeneration (b)	58,418	-	58,418	9,522	67,940	140,203
- Urban Regeneration (c)	64,093	-	64,093	10,447	74,540	109,873
- Adult & Community Services	109,873	-	109,873	17,909	127,782	109,873
- Finance & Corporate Services	112,373	-	112,373	18,317	130,690	114,873
	590,063	3,281	593,344	96,180	689,524	758,228

The Executive Director of Children & Young People's Services left 16th December 2009

The Executive Director of Urban Regeneration (b) left 31st August 2009

The Executive Director of Urban Regeneration (c) started 1st September 2009

23. External Audit Costs

The amount of fees paid for the work performed relating to 2010/11 by the Council in respect of the audit and inspection are detailed below:

	2009/10 £'000	2010/11 £'000
Fees payable to KPMG with regard to external audit services carried out by the appointed auditor for the year	457	463
Fees payable to Audit Commission in respect of statutory inspection	17	17
Fees payable to KPMG for the certification of grant claims and returns for the year	75	70
Fees payable in respect of other services provided by KPMG during the year	27	26
Total	576	576

For comparative purposes, budgeted figures have been used in the above table.

24. Dedicated Schools Grant

The Council's expenditure on schools is funded by grant monies provided by the Department for Children, Schools and Families. The Dedicated Schools Grant (DSG) is ring-fenced and can only be applied to meet expenditure properly included in the schools budget. The schools budget includes elements for a restricted range of services provided on a council-wide basis and for the Individual Schools Budget, which is divided into a budget share for each school. Over and under spends on the two elements are required to be accounted for separately. For DSG purposes, grant allocated to the Individual Schools Budget (ISB) is taken to have been spent as soon as it is passed to schools' budget shares. Therefore there will be no over or under spend against this element. In 2010/11 there was an under spend against other services of £0.733million which has been carried forward to 2011/12 and is detailed overleaf:

NOTES TO THE ACCOUNTS

	Central Expenditure £'000	Individual Schools Budget £'000	Total £'000
Final DSG for 2010/11	12,592	182,649	195,241
Brought Forward from 2009/10	276	-	276
Agreed Budgeted Distribution in 2010/11	12,868	182,649	195,517
Actual Central Expenditure	12,135	-	12,135
Actual ISB Deployed to Schools	-	182,649	182,649
Carry Forward to 2011/12	733	-	733

25. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2010/11.

	2010/11 £'000
Credited to Taxation and Non Specific Grant Income	
Local Transportation Plan Grant	11,820
Building Schools for the Future	11,453
Primary Capital Programme	3,922
Standards Fund	3,453
Centro Contributions	2,553
Red Routes WMBC Contribution	2,141
Housing Market Renewal Funding	1,808
Renewal & Growth	1,756
Early Years Grant	1,615
Housing Stimulus	1,326
Lottery	1,095
Other Grants	2,431
Other Contributions	1,493
Total	46,866
Credited to Services	
Dedicated Schools Grant	194,783
Rent Rebates	68,433
Rent Allowances	51,745
Council Tax Grant	31,804
Learning & Skills Council	14,341
Sure Start	14,885
Standards Fund	16,032
School Standards Grant	9,826
Benefit Administration Grant	3,843
HMRA	2,731
Social Care	2,260
Future Jobs Fund	2,109
Private Finance Initiative (PFI)	1,791
Supporting People	1,523
Arts Council	1,485
Teacher Training Grant	902
Other grants	7,789
Total	426,282

NOTES TO THE ACCOUNTS

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year-end are as follows:

	31 March 2011 £'000
Capital Grants Receipts in Advance	
Building Schools for the Future	12,208
Primary Capital Programme	9,779
Section 106	5,724
Standards Fund	4,018
Renewal & Growth	5,328
Local Transportation Plan Grant	2,021
Growth Fund	1,724
NHS Campus Reprovision Grant	1,251
Gypsy & Traveller Grant	1,063
Housing Market Renewal Funding	1,052
Other Grants	1,804
Other Contributions	1,477
Total	47,449

26. Related Parties

Under the 2010 Code, the Local Authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council. Related parties may include central government, precepting and levying bodies, associated companies and elected members of the local authority.

Central Government – Central Government has effective control over the general operations of the council – it is responsible for providing the statutory framework within which the council operates and provides the majority of its funding in the form of grants. Receipts in respect of revenue support grant and national non-domestic rates are shown in the Comprehensive Income & Expenditure Statement on page 11. Details of other grants received are analysed in more detail in Note 25 above.

Other Public Bodies - the West Midlands Police and the West Midlands Fire & Rescue (WMF&R) Authorities, for which details can be found on page 89 as part of the Collection Fund Revenue Account, levy Precepts on the council. The Council is responsible for the provision of some services to the WMF&R as part of a Service Level Agreement, including the Treasury Management activity, which results in the Council borrowing on their behalf. The payment due to the WMF&R for these activities was £0.326m and the charge made to them was £4.374m. The Council has also provided a number of other miscellaneous services to the WMF&R for which the council received £0.127m and made payments for services received of £0.146m. In addition a levy from the West Midland Passenger Transport Authority totalling £15.527m and Flood Defence levy of £0.088m were made during the financial year.

Pension Fund – Pension contributions are made to Wolverhampton MBC in respect of members of the Local Government Pension Scheme and to the Teachers Pension Association. Further details of pension costs can be found in Note 32, Page 58.

Members – A register of Members' Interests is held. All members' pecuniary and non-pecuniary interests are open to public inspection. The register has been examined and although a number of

NOTES TO THE ACCOUNTS

Elected Members serve on outside bodies that receive some form of financial support from Sandwell, these are not material.

Chief Officers and Other Officers - There were no significant transactions between the Council and its Directors and other related parties during the year.

Other Organisations –The Council made grants to voluntary organisations amounting to £2.738m during 2010/11.

On 1st April 2004, the Council established Sandwell Leisure Trust as a charitable company limited by guarantee to manage sports facilities and provide sports development in Sandwell. The principal income of the Leisure Trust is from the Council, which takes the form of a management fee. This amounted to £4.150m for the period to 31st March 2011. The Council also provides a number of support services to them, for which charges are made in line with Service Level Agreements.

An agreement was made between Sandwell MBC and Sandwell Arts Trust, which details how the company would operate the Public on behalf of the Council. A management fee of £2.290m was paid for the period to 31st March 2011. Sandwell Arts Trust also received £0.080m for miscellaneous services provided to the Council.

The Black Country Consortium Ltd was established to supply consultancy and advice services to the 4 Black Country Boroughs. Sandwell Council made payments to them of £0.249m and received income of £0.429m in 2010/11.

Sandwell Futures Ltd is a Local Education Partnership (LEP) established under the Building Schools for the Future initiative. The purpose of the LEP is to work in partnership with the council to procure new and improved school buildings via both direct procurement and Private Finance Initiative (PFI). The Council made total payments of £5.099m to the LEP during 2010/11.

27. Capital Expenditure and Capital Financing

	2009/10 £'000	2010/11 £'000
Opening Capital Financing Requirement	650,762	675,580
Capital Investment		
Property Plant & Equipment	127,167	129,948
Investment Properties	409	796
REFFCUS	36,349	48,968
Capitalisation Directions	(26,321)	(1,142)
Sources of Finance		
Capital Receipts	(8,271)	(5,047)
Government Grants & Other Contributions	(85,698)	(97,779)
Sums set aside from Revenue	(18,817)	(18,960)
Closing Capital Financing Requirement	675,580	732,364
Explanation of Movements in Year		
Increase in underlying need to borrowing (supported by government financial assistance)	41,800	37,250
Increase in underlying need to borrowing (unsupported by government financial assistance)	(16,982)	19,534
Increase/(decrease) in Capital Financing Requirement	24,818	56,784

NOTES TO THE ACCOUNTS

28. Leases

Council as Lessee

Finance Leases

The Council uses a number of vehicles which were financed under the term of finance leases which have since come to an end. No new vehicles were acquired during the year under finance leases, any acquisitions made were done so by the use of prudential borrowing.

The Table below shows the net carrying amount of the vehicles acquired under finance leases which would be held as Property, Plant and Equipment on the Council's Balance Sheet:

	31 March 2009 £'000	31 March 2010 £'000	31 March 2011 £'000
Vehicles, Plant, Furniture and Equipment	808	324	-
Total	808	324	-

The Council is no longer committed to making minimum payments under these leases as they have now been settled in full. However the table below summarises the Council's commitment as at each balance sheet date, which would comprise of settlement of the long term liability for the interest in the property acquired by the Council and finance costs that were payable by the Council over the years while the liability remained outstanding.

	31 March 2009 £'000	31 March 2010 £'000	31 March 2011 £'000
Finance lease liabilities			
- Current	505	-	-
- Non current	-	-	-
Finance costs payable in future years	7	-	-
Minimum Lease Payments	512	-	-

The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments			Finance Lease Liabilities		
	31 March 2009 £'000	31 March 2010 £'000	31 March 2011 £'000	31 March 2009 £'000	31 March 2010 £'000	31 March 2011 £'000
Not later than one year	512	-	-	505	-	-
Total	512	-	-	505	-	-

NOTES TO THE ACCOUNTS

The Council has also acquired a number of other assets including ICT and general office equipment under the terms of finance leases. These assets are not included on the Council's balance sheet nor in the notes above as they fall below the capital expenditure de-minimis limit.

Operating Leases

The Council has acquired a number of administrative buildings by entering into operating leases.

The future minimum lease payments due under non-cancellable leases in future years are;

31-Mar-10 £'000		31-Mar-11 £'000
2,084	Not later than 1 year	2,076
6,808	Later than 1 year and not later than 5 years	6,231
20,814	Later than 5 years	18,660
29,706		26,967

The Council sub-lets some of these assets to third parties and expects to receive future minimum sublease payments of £1.924m.

The expenditure charged to the Cultural, Environmental, Regulatory & Planning Services line in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was;

2009/10 £'000		2010/11 £'000
2,212	Minimum lease payments	2,266
(666)	Sublease payments receivable	(670)
1,546		1,596

Council as Lessor

Finance Leases

The Council does not lease out any of its assets under the terms of finance leases.

Operating Leases

The Council leases out property under operating leases for the following purpose:

- For economic development purposes to provide suitable affordable accommodation for local businesses

The future minimum lease payments receivable under non-cancellable leases in future years are:

31-Mar-10 £'000		31-Mar-11 £'000
4,764	Not later than 1 year	4,600
12,858	Later than 1 year and not later than 5 years	12,049
136,543	Later than 5 years	134,381
154,165		151,030

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

29. Private Finance Initiatives and Similar Contracts

Total Schools Solutions

The Council entered into a 25 year contract in September 2003 with Total Schools Solutions (Sandwell) Limited to design, build, finance and operate 5 primary schools, replacing the Council's existing provision. The Council is paying a performance related annual fee and the contract is a Private Finance Initiative under Capital Finance Regulations.

The first school became operational in October 2004 and the remaining 4 became operational in Spring 2005. The payments under the contract can vary according to availability and performance and are linked to the Retail Price Index. (RPI). The full year charge for 2010/11 was £2.465m (2009/10 was £2.403m) and total contract payments over the 25 years are estimated to be in the region of £63.933m. The total capital cost of the 5 schools is in the region of £15.3 million.

These assets are held as Non Current Assets within the Council's balance sheet and will be valued and depreciated in the same way as for any other council asset.

Riverside Housing

On 27th March 2006, the Council entered into a 25 year agreement with Riverside Housing Association (HA) for the refurbishment of Council Dwellings on the Harvills Hawthorn and Millfields estates. In addition to the planned refurbishments, this agreement became the first HRA housing PFI scheme to include new build Council Housing (132 New Build Homes and 67 WIWO). The estates will be refurbished by Mansell Ltd, as sub contractor to Riverside HA over a 5-year construction period and managed and maintained by Riverside for a 25-year concession. Approximately 900 dwellings will be refurbished and improved together with 142 demolitions and sites cleared for sale.

These assets are held as Council Dwellings within the Council's balance sheet and will be valued and depreciated in the same way as for any other council dwelling.

The scheme incorporates £83.3 million capital cost (residual value) and a £203 million unitary charge over the 25 years. The unitary charge for 2010/11 was £7.6m (2009/10 was £7.3m); an additional bullet payment of £4.1m has also been made in year to reduce the unitary charge by £0.044m per year over 25 years. The total bullet payments made since the contract commencement has been £8.5m and there are no more monies owed to Riverside under the Bullet Payment Mechanism.

Building Schools for the Future Rowley Campus

Under the national Building Schools for the Future (BSF) programme the Council entered into a 25 year agreement with Environments for Learning (E4L) for it to design, build, finance and operate the new Rowley Campus. This is a co-location of St Michaels High School, Whiteheath Pupil Referral Unit and Westminster Special School.

Phase 1 of the Rowley Campus encompassing the Whiteheath and Westminster accommodation became operational on 25th February 2011 with the remainder of the site works due for completion in June 2011.

The proportion of the assets which became operational in February 2011 have been brought on to the Council's balance sheet and are now held as Other Land and Buildings based on a valuation provided by the Council's external valuers Wilks Head & Eve. An equal and opposite finance lease creditor has also been brought on to the balance sheet representing the outstanding liability to the Council.

The payments under the contract can vary according to availability and performance and a proportion is linked to the Retail Prices Index excluding Mortgage Interest Payments (RPIX). The

NOTES TO THE ACCOUNTS

charge for 2010/11 for the operational period was £432,020. The total contract payments over the 25 years are estimated to be in the region of £181.7 million. The total capital cost for the schools is in the region of £41.2 million.

The following table details the movement on the liabilities held on the Council's balance sheet relating to PFI contracts:

	Riverside Housing PFI	Total School Solutions PFI	BSF Rowley Campus PFI	Total
	£'000	£'000	£'000	£'000
Opening Liability as at 31st March 2010	(35,853)	(10,443)	-	(46,296)
Closing Liability as at 31st March 2011	(36,617)	(10,020)	(11,822)	(58,459)
Movement in Year	(764)	423	(11,822)	(12,163)
Analysis of Movement in Year:				
Additional Spend on Scheme	(6,930)	-	(11,822)	(18,752)
Repayment of Finance Lease Creditor	2,066	423	-	2,489
Additional Repayment of FL Creditor	4,100	-	-	4,100
	(764)	423	(11,822)	(12,163)

The table below provides a schedule of unitary payments due to be made under PFI contracts, split over their component parts:

	Within 1 Year	Within 2 - 5 Years	Within 6 - 10 Years	Within 11 - 15 Years	Within 16 - 20 Years	Within 21 - 25 Years
	£'000	£'000	£'000	£'000	£'000	£'000
Riverside Housing PFI						
Liability Repayments	1,493	6,870	10,106	6,476	11,750	-
Interest Charges	2,875	11,140	12,555	9,333	7,675	-
Operating Costs	2,012	8,443	11,900	13,616	15,394	-
Lifecycle Costs	1,348	5,746	8,749	17,553	4,974	-
	7,728	32,199	43,310	46,978	39,793	-
Total School Solutions PFI						
Liability Repayments	492	1,913	2,402	2,660	2,485	-
Interest Charges	1,056	4,102	4,752	4,212	2,715	-
Operating Costs	844	3,592	5,019	5,678	4,628	-
Lifecycle Costs	25	323	887	1,318	670	-
	2,417	9,930	13,060	13,868	10,498	-
BSF Rowley Campus PFI						
Liability Repayments	439	3,533	5,151	6,947	11,688	17,196
Interest Charges	4,257	16,431	18,235	15,207	10,921	3,963
Operating Costs	1,445	6,294	8,714	9,860	11,157	12,723
Lifecycle Costs	-	136	1,924	3,296	3,000	3,868
	6,141	26,394	34,024	35,310	36,766	37,750
Total Payments	16,286	68,523	90,394	96,156	87,057	37,750

NOTES TO THE ACCOUNTS

The table below shows the movement on the carrying amount of the PFI assets held within the Council's balance sheet:

	Council Dwellings (Riverside) £'000	Land & Buildings (Total Schools) £'000	Land & Buildings (Rowley Campus) £'000	Total £'000
Balance as at 1 April 2010	43,471	16,758	-	60,229
Additions	6,930	142	11,822	18,894
Revaluations	(7,539)	(8,480)	-	(16,019)
Impairments (Due to fall in value)	-	-	-	-
Disposals	-	-	-	-
Re-classifications	-	-	-	-
In Year Depreciation	(769)	(205)	-	(974)
Depreciation Written Out	778	692	-	1,470
Other Movements	(1,988)	10,199	-	8,211
Balance as at 31 March 2011	40,883	19,106	11,822	71,811

30. Impairment Losses

During 2010/11 no impairment losses in relation to the Council's non current assets have been identified and there has been no reversal of any impairment losses recognised in previous years.

31. Termination Benefits

The Council terminated the contracts of a number of employees in 2010/11 to meet both the challenges of the difficult economic climate and the budget reductions announced as part of the Local Government Finance settlement in December 2010.

In total 310 employees left the Councils employment during the year incurring liabilities of £6.01million. The capital costs relating to these employees totals a further £1.47million, however this liability will be incurred during 2011/12.

Agreements are in place for a further 186 employees to leave the Council during 2011/12. The liabilities' relating to these employees is estimated to be £4.5million.

An appropriate provision has been made within the 2010/11 accounts for all termination liabilities that will be incurred during 2011/12.

32. Defined Benefit Pension Schemes

As part of the terms and conditions of employment of its officers and other employees, the Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The Council participates in two pension schemes:

Teachers:

The teachers employed by the Council are members of the Teachers Pension Scheme (TPS) which is a 'defined benefit multi-employer' scheme operated by the Department for Children, Schools and Families (DCSF), under the Teachers Pensions Act 1972. The scheme is managed by

the Teachers Pensions Agency under the Teachers Pensions Regulations 1997. The Teachers Pensions Fund is accounted for as a 'defined contribution' scheme in line with the requirements of IAS19 since the scheme is notionally funded and for which underlying liabilities cannot be identified on a consistent basis.

In 2010/11 the Council paid £12.846m (2009/10 £12.519m) to the DCSF in respect of teachers' pension costs. This represents 14.1% of teacher's pensionable pay. In addition, the Council is responsible for all pension payments relating to added years it has awarded, together with the related increases. In 2010/11 these amounted to £3.176m (2009/10 £3.259m). A liability is shown on the balance sheet and the movement in reserves statement in respect of the Council's obligation to pay added years benefits.

Other Employees:

Other employees of the Council contribute to the Local Government Pension Scheme (LGPS) which is a 'defined benefit' scheme. In 2010/11 the Council paid an employer's pension contribution of £23.844m (2009/10 £22.319m) based on 16.8% of employee's pensionable pay into the West Midlands Metropolitan Authorities Pension Fund, which provides members with defined benefits related to pay and service. The contribution rate is determined by the Fund's Actuary based on triennial actuarial valuations. The last completed review was 31st March 2010. Under Superannuation Regulations contribution rates are set to meet the overall liabilities of the Fund.

In addition, the Council is responsible for all pension payments relating to added years benefits it has awarded, together with the related increases. In 2010/11 these amounted to £1.567m (2009/10 £1.546m) representing 1% of pensionable pay.

The Capital Cost of awarding discretionary additional benefits relating to the year 2010/11 was £2.627m (2009/10 £1.887m), which has been met from revenue expenditure in 2010/11.

The Fund's Actuary has advised that a contribution rate of 11.7% for the next year will ensure that overall fund liabilities should be met over time. The disclosures required by IAS 19 follow:

Transactions Relating to Retirement Benefits

The cost of retirement benefits are recognised in the Net Cost of Services when they are earned by the employee, rather than when the benefits are eventually paid as pensions. However, so that the charge required against council tax is based on cash payable in the year, the real cost of retirement benefits is reversed out in the Movement In Reserves Statement. There were no accrued or prepaid contributions made in 2010/11.

NOTES TO THE ACCOUNTS

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the Movement In Reserves Statement during the year:

	Local Government Pension Scheme		Teachers Pension Scheme	
	2009/10 £'000	2010/11 £'000	2009/10 £'000	2010/11 £'000
Comprehensive Income and Expenditure Statement				
Cost of Services				
Current service costs	16,110	26,304	-	-
Past service costs	475	505	-	-
Settlements and curtailments	1,015	2,228	309	335
Gain due to a change in scheme benefits	-	(64,890)	-	(2,656)
Financing and Investment Income and Expenditure				
Interest costs	54,656	60,920	2,769	2,546
Expected return on scheme assets	(31,564)	(43,317)	-	-
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	40,692	(18,250)	3,078	225
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Account	-	-	-	-
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	40,692	(18,250)	3,078	225

	Local Government Pension Scheme		Teachers Pension Scheme	
	2009/10 £'000	2010/11 £'000	2009/10 £'000	2010/11 £'000
Movement in Reserves Statement				
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	15,787	(43,793)	(181)	(2,951)
Actual amount charged against the General Fund Balance for pensions in the year.				
Employer's Contributions payable to scheme	24,905	25,543	3,259	3,176
Retirement benefits payable to pensioners	-	-	-	-

Further information, regarding other employee's pensions, can be found in the West Midlands Authorities Superannuation Fund's Annual Report, which is available upon request from:

West Midlands Pension Fund
 Director of Pensions
 Civic Centre
 St Peter's Square
 Wolverhampton
 WV1 1SL

NOTES TO THE ACCOUNTS

The assets and liabilities attributable to the Council for both the LGPS and the TPS as at 31 March 2011 have been provided by the funds' actuary and are detailed below:

Reconciliation of present value of the scheme liabilities

	Local Government Pension Scheme		Teachers Pension Scheme	
	2009/10 £'000	2010/11 £'000	2009/10 £'000	2010/11 £'000
Opening Balance at 1st April	774,133	1,086,779	40,623	47,885
Current Service Cost	16,110	26,304	-	-
Interest on pension liabilities	54,656	60,920	2,769	2,546
Contributions by scheme participants	9,248	9,332	-	-
Actuarial (gains) and losses	265,172	(47,429)	7,443	616
Benefits paid	(34,030)	(33,496)	(3,259)	(3,176)
Past service costs / Curtailment	1,490	2,733	309	335
Gain due to a change in Scheme benefit	-	(64,890)	-	(2,656)
Closing Balance at 31st March	1,086,779	1,040,253	47,885	45,550

In the UK budget statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Price Index (CPI) rather than the Retail Price Index (RPI). This has the effect of reducing the Council's liabilities in both the Local Government and Teachers Pension Schemes by £48.9m in total and has been recognised as a past service gain in accordance with guidance set down in UITF Abstract 48, since the change is considered to be a change in benefit entitlement. There is no impact upon the General Fund or Housing Revenue Account.

Reconciliation of fair value of the scheme assets

	Local Government Pension Scheme	
	2009/10 £'000	2010/11 £'000
Opening Balance at 1st April	484,728	634,797
Expected Rate of Return	31,564	43,317
Actuarial gains and (losses)	118,382	3,899
Employers contributions	24,905	25,543
Contributions by scheme participants	9,248	9,332
Benefits paid	(34,030)	(33,496)
Closing Balance at 31st March	634,797	683,392

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying current investment policy. Expected yields on fixed investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long term real rates of return experience in the respective markets. The Investment return on pension scheme assets has resulted in an actuarial gain on assets of £3.9m. The actual return on scheme assets in the year was (£40.798m), (2009/10 was £149.946m).

NOTES TO THE ACCOUNTS

Scheme History

	2006/07 £'000	2007/08 £'000	2008/09 £'000	2009/10 £'000	2010/11 £'000
Present Value of Liabilities					
Local Government Pension Scheme	(837,492)	(919,872)	(774,133)	(1,086,779)	(1,040,253)
Teachers Pension Scheme	(43,032)	(47,378)	(40,623)	(47,885)	(45,550)
Total Present Value of Liabilities	(880,524)	(967,250)	(814,756)	(1,134,664)	(1,085,803)
Fair Value of assets in the local government pension scheme	588,382	601,900	484,728	634,797	683,392
Surplus / (Deficit) in the scheme:					
Local Government Pension Scheme	(249,110)	(317,972)	(289,405)	(451,982)	(356,861)
Teachers Pension Scheme	(43,032)	(47,378)	(40,623)	(47,885)	(45,550)
Total	(292,142)	(365,350)	(330,028)	(499,867)	(402,411)

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £1,085.8m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet in a negative overall balance of £402.4m.

However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

- the deficit on the local government pension scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary

Basis for Estimating Assets & Liabilities

Pension fund liabilities for both schemes have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Mercer Limited, an independent firm of actuaries, has assessed the liabilities of both schemes. The main assumptions used in their calculations have been:

	Local Government Pension Scheme	
	2009/10	2010/11
Long Term Expected Rate of Return On Assets		
Equities	7.50%	7.50%
Government Bonds	4.50%	4.40%
Other Bonds	5.20%	5.10%
Property	6.50%	6.50%
Cash / Liquidity	0.50%	0.50%
Other	7.50%	7.50%
Proportion of total assets held		
Equities	53.70%	59.10%
Government Bonds	7.90%	8.20%
Other Bonds	6.00%	5.90%
Property	7.20%	8.50%
Cash / Liquidity	1.40%	2.10%
Other	23.80%	16.20%
	100%	100%

NOTES TO THE ACCOUNTS

	Local Government Pension Scheme		Teachers Pension Scheme	
	2009/10	2010/11	2009/10	2010/11
Mortality Assumptions				
Longevity at 65 for current pensioners				
Men	21.2	21.6	21.2	21.6
Women	24.1	24.2	24.1	24.2
Longevity at 65 for future pensioners				
Men	22.2	23.0		
Women	25.0	25.8		
Rate of RPI Inflation	3.30%	3.40%	3.20%	3.30%
Rate of CPI Inflation	2.80%	2.90%	3.20%	2.80%
Rate of Increase In Salaries (LGPS)	5.05%	4.65%		
Rate of Increase In Pensions	3.30%	2.90%	3.20%	2.80%
Discount Rate	5.60%	5.50%	5.50%	5.40%

History of experience gains and losses

The experience adjustments arising on the assets and liabilities of the scheme are expressed below as a percentage of the scheme assets and liabilities at the Balance Sheet date:

	2006/07 %	2007/08 %	2008/09 %	2009/10 %	2010/11 %
Local Government Pension Scheme					
Experience gains/(losses) on assets	0.9	(5.9)	(33.4)	18.6	0.6
Experience gains/(losses) on liabilities	0.0	2.3	0.0	0.0	3.0
Teachers Pension Scheme					
Experience gains/(losses) on assets	0.0	0.0	0.0	0.0	0.0
Experience gains/(losses) on liabilities	0.0	(3.5)	0.0	0.0	(1.9)

33. **Contingent Assets and Liabilities**

Contingent Liabilities

There are presently 13 civil litigation claims (10 in 2009/10), 31 employment tribunal cases, (4 in 2009/10) and 193 equal pay claims (380 in 2009/10). The Council is also conducting litigation via external solicitors for the recovery of a Profit Rental Share under the terms of a lease.

Municipal Mutual Insurance Co Ltd (MMI)

Municipal Mutual Insurance Co Ltd (MMI), through which the Council had part of its insurance ceased writing new insurance business in 1992 and is currently using its available resources to meet outstanding claims. MMI may not know the full extent of its liability claims as it may take a number of years for them to arise, however the company has continued to settle claims in an orderly manner. To prevent the costs associated with an insolvent run off, the company has entered into a scheme of arrangement with its creditors. Should the scheme be implemented, the Council and others will be called upon to reimburse the company with a proportion (up to 100%) of its claims settled since 1st October 1993.

Novell Licensing Agreement

During 2006/07 it was found that the Council was in breach of its Novell licensing agreement and, as a consequence of this, the Council could be liable for legal and settlement costs estimated to be

£100,000. Technically Novell could progress this matter at any point within a 7 year period, however to date the Council have not been notified of any intention to take action, indicating that the risk of this occurring is now minimal.

Owen Street Relief Road

The Council entered into a contract with BAM Nuttall Ltd in August 2007 for the construction of the Owen Street Relief Road Scheme in Tipton. The scheme comprised of the alignment of a new carriageway passing beneath the West Coast Mainline adjacent to Tipton Station in order that the level crossing on Owen Street could be closed to traffic. The construction works finished during February 2010 however during this phase a number of Contractual Incidents were raised by the parties to the Contract and a number of compensation events remain unresolved. The significant issues related to the contractors obligations with regard to Network Rail and as such the contractor has submitted a number of compensation events to the Council.

No agreement has yet been reached and a neutral QC opinion has been sought to adjudicate on the matter, this will take place in July 2011. The expert opinion of the Councils professional advisors suggests that the Council has sufficient resources available to meet any liabilities agreed however the exact liability remains unknown at present.

Redundancies

The Council has undergone a significant redundancy programme in 2010/11, however, given the economic climate and following the announcement of the Local Government financial settlement in December 2010, further redundancies will be required as part of the Councils medium term financial strategy 2012/13 to 2014/15, this will result in further termination liabilities falling upon the Council. These liabilities cannot be quantified at this time until services are re-engineered to meet the resources available in future years.

The above items have not been accrued for within the accounts for 2010/11 because the exact amount of possible liability involved cannot be accurately determined. In a situation where a contingent liability meets the recognition criteria of IAS 37, it will be disclosed and an appropriate provision made in the relevant years accounts.

Contingent Assets

Following judgements made by the House of Lords on cases including Conde Nast and Fleming, a three year cap on input tax claims previously imposed by HMRC has now been disappplied. This ruling also applies to claims made for the recovery of overpaid VAT. The Council has therefore submitted claims on its behalf which have yet to be settled.

An accrual has not been made within the 2010/11 accounts, as the exact amount of the potential asset involved cannot be accurately determined at this time.

34. Accounting Policies

i. General Principles

The Statement of Accounts summarises the Council's transactions for the 2010/11 financial year and its position at the year-end of 31 March 2011. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2003, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of practice on Local Authority Accounting in the United Kingdom 2010/11 and the Best Value Accounting Code of Practice 2010/11, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

ii. **Accruals of Income and Expenditure**

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

iii. **Cash and Cash Equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents represent monies invested in call accounts and 30 day notice accounts which are readily convertible to known amounts of cash with insignificant risk of change in value.

All other investments held by the Council do not represent cash equivalents as they are not readily convertible to known amounts of cash with an insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

iv. **Exceptional Items**

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance. The Council does not have any exceptional items in 2010/11.

v. **Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors**

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other

events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. Changes to accounting policies due to the introduction of International Financial Reporting Standards (IFRS) have required opening balances as at 1 April 2009 and comparative amounts for 2009/10 to be restated.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period. It has not been necessary for the Council to carry out any such corrections.

vi. **Charges to Revenue for Non-Current Assets**

All services hold revenue accounts that record expenditure on day to day items during each financial year. These services are also charged with the following items to reflect the use of Non-Current Assets:

- Depreciation attributable to the assets used by the relevant service
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- Amortisation of intangible assets attributable to the service

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations and therefore, these are reversed out of General Fund balances to the CAA via the MRS

vii. **Valuation of Stocks and Work In Progress**

Stocks held in service areas are shown in the Balance Sheet valued at the lower of cost and net realisable value as required by IAS 2. Other stocks held in kitchens and restaurants are shown at historical purchase price.

Work in progress is shown at cost with the exception of long term contracts in the Internal Trading Organisations which are valued at cost, plus attributable profit, less any foreseeable losses and any income received.

viii. **Employee Benefits**

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (including time off in lieu, flexi leave and carers leave) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Council is demonstrably

committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits

Employees of the Council are members of two separate pension schemes:

- The Teacher's Pension Scheme, administered by Capita Teacher's Pensions on behalf of the Department for Education (DfE).
- The Local Government Pensions Scheme, administered by Wolverhampton City Council.

Both schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

However, the arrangements for the teacher's scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contribution payable to Teacher's Pensions in the year.

The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the West Midlands pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 5.5% based on the indicative rate of return on high quality corporate bonds.
- The assets of West Midlands pension fund attributable to the Council are included in the Balance Sheet at their fair value:
- The change in the net pensions liability is analysed into seven components:
 - Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
 - Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit

on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs

- Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- Expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- Gains or losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve
- Contributions paid to the West Midlands pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

ix. **Events after the Balance Sheet Date**

Events after the balance sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events. The Council does not have any such events to report in 2010/11.
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would

have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect. The Council does not have any such events to report in 2010/11.

Events taking place after the date of authorisation for issue are not reflected on the Statement of Accounts.

x. **Financial Instruments**

Financial Liabilities

These are initially measured at fair value and carried at their amortised cost with the exception of other Local Authority debt which is held at historic cost. Annual charges are made to the Income & Expenditure Account based on the carrying value of the liability multiplied by the effective rate of interest for the instrument.

Gains and losses on the repurchase or early settlement of borrowing are credited or debited to the Income & Expenditure Account as they occur. Any premium or discount arising on restructured borrowing is respectively deducted from, or added to, the amortised cost of the new or modified loan and charged to the Income & Expenditure Account over the life of the loan by an adjustment to the effective interest rate.

Financial Assets

Financial assets are classified as follows:

- Loans and Receivables - assets that have fixed or determinable payments but are not quoted in an active market
- Available-for-sale Assets - assets that have a quoted market price and/or do not have fixed or determinable payments

Loans and receivables are initially measured at fair value and carried at amortised cost. Annual credits to the Income & Expenditure Account for interest receivable are based on the carrying amount of the instrument, multiplied by its effective rate.

Loans made by the Council at less than market rate are known as 'soft loans'. Soft loans currently held by the Council relate to car loans for employees. The financial effect of this concession is charged to the Income & Expenditure Account representing the interest foregone, over the life of the loan. Since statutory provisions require that the impact of soft loans on the General Fund balance is limited to the actual interest receivable for the year, a transfer to or from the Financial Instruments Adjustment Account is made to cover the difference.

Available-for-Sale Assets

Available-for-sale assets are initially measured at fair value. Fixed or determinable payments, such as interest receivable are credited to the Income & Expenditure Account annually based on the amortised cost of the asset multiplied by the effective rate of interest. Other payments, such as dividends are credited to the Income & Expenditure Account when they become receivable.

Fair value is applied to available-for-sale assets on one of the following bases:

- Instruments with quoted market prices - market price
- Other instruments with fixed or determinable payments - discounted cash flow analysis
- Unquoted equity shares for which a reliable fair value cannot be determined - independent appraisal

Where it is not possible to appraise the value of an instrument with a satisfactory degree of reliability, then cost, less any impairment losses is used.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain or loss is recognised in the Statement of Total Recognised Gains and Losses (STRGL), unless the change arises from impairment, in which case the loss is charged to the Income & Expenditure Account, together with any net gain/loss for the asset accumulated in the Reserve.

xi. Government Grants and Contributions

Government grants, third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- The Council will comply with the conditions attached to the payments, and
- The grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied.

Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as Receipts In Advance. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement.

Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Area Based Grant

Area Based Grant (ABG) is a general grant allocated by central government directly to local authorities as additional revenue funding. ABG is non-ringfenced and is credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

Business Improvement District

A Business Improvement District (BID) scheme applies across the whole of the Council. The scheme is funded by a BID levy paid by non-domestic ratepayers. The Council acts as principal under the scheme, and accounts for income received and expenditure incurred (including contributions to the BID project) within the relevant service lines in the Comprehensive Income and Expenditure Statement.

xii. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (eg software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being

able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

xiii. **Interest in Companies and Other Entities**

The Code requires local authorities with material interests in subsidiary and associated companies and joint ventures to prepare, as supplementary information, summarised group accounts.

The Council has a financial relationship with a subsidiary company, Sandwell Homes Ltd; the details of which are included within the explanatory notes to the Group Accounts.

As with the single entity accounts, the group Comprehensive Income & Expenditure Statement, Balance Sheet, Movement in Reserves Statement and Cash Flow Statement have been prepared in accordance with the Code.

xiv. **Leases**

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability; and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant and equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg, there is a rent-free period at the commencement of the lease).

The Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received); and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement)

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement.

Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg, there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

xv. **Overheads and Support Services**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Best Value Accounting Code of Practice 2010/11 (BVACOP)*. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in BVACOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

xvi. **Capital Accounting**

Fixed Asset Valuations

The freehold and leasehold properties in the categories Council Dwellings, Property, Plant & Equipment, Investment Assets and Assets Held for Sale have been valued by Officers within Corporate Property headed by Peter J Manley FRICS and by Wilks Head & Eve (WHE). An initial valuation was made as at 1st April 1994, in accordance with statements of Asset Valuation Practice and Guidance Notes for the Royal Institution of Chartered Surveyors. The Code requires that fixed assets are revalued at intervals of not more than five years. A five-year rolling programme is in place to meet these requirements and each valuation is supported by a valuation certificate and report. The beacon valuations appertaining to Council Dwellings have been carried out by WHE and are in accordance with the Guidance on Stock Valuation for Resource Accounting.

Property Plant & Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment (PP&E).

Expenditure on the acquisition, creation or enhancement of PP&E is capitalised on an accrual basis provided it affords economic benefits or service potential to the Council for more than one financial year.

As a general rule, the council adopts a zero de-minimus limit in determining capital expenditure. An exception to this rule however, is that only expenditure in excess of £10,000 on vehicles is treated as capital expenditure, any expenditure below this limit is charged to revenue.

Assets are initially measured at cost and are then carried on the Balance Sheet using the following measurement bases:

Council Dwellings

Council houses are measured at fair value, determined using the basis of existing use value for social housing (EUV-SH). This takes account of the social use factor which was 49% (at 1st April 2010) as specified by the Department of Communities and Local Government (DCLG). The EUV-SH has been revised to 34% from 1st April 2010 onwards.

Community Assets

Community assets are assets that the Council intends to hold in perpetuity, they have no determinable useful life and which may, in addition, have restrictions on their disposal (e.g. parks, historic buildings, gallery exhibits). They are valued at historic cost net of depreciation, but where this information is not available the asset is valued at a nominal value of £1. The value of such assets is, therefore, insignificant and no entry appears in the balance sheet.

Infrastructure

Infrastructure assets are inalienable assets, expenditure on which is recoverable only by continued use of the asset created (e.g. highways, footpaths). They are valued at historic cost net of depreciation.

Assets Under Construction

These assets are held at historic cost.

Other Assets

All other assets that fall into the category of PP&E are measured at fair value determined as the amount that would be paid for the asset in its existing use. This is termed as existing use value (EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets that have short useful lives or low value (or both), DRC is used as a proxy for fair value.

Assets included in the balance sheet at fair value are re-valued, as a minimum, every five years as at 1st April.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. However, gains may be credited to the Comprehensive Income & Expenditure Statement (CI&ES) where they arise from a reversal of a loss previously charged to a service.

Decreases in values are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the reduction is offset against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the excess is charged to the relevant service line(s) in the CI&ES.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the loss is offset against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the loss is charged to the relevant service line(s) in the CI&ES.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their determinable finite lives. An exception is made for assets without a determinable finite useful life (i.e., freehold land and certain Community Assets) and assets that are not yet available for use (i.e., assets under construction).

NOTES TO THE ACCOUNTS

Depreciation is calculated on the opening balance of an asset on a straight line basis over its estimated useful life. In general, the useful lives of assets falling under PP&E are as follows:

Buildings & Infrastructure	40 years
Vehicles & Plant	7 years
Street Lighting	30 years
Street Furniture	10 years
Equipment	5-10 years

Where an asset has major components whose cost is significant in relation to the total cost of the item and which have differing estimated useful lives, these components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Investment Properties

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are re-valued annually according to market conditions at the year-end.

Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the CI&ES. The same treatment is applied to gains and losses on disposal. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. They are, therefore, reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds) the Capital Receipts Reserve.

Non Current Assets Held For Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale.

The asset is re-valued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any losses previously recognised in the Surplus or Deficit on Provision of Services.

Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

Asset Disposals

When an item of PP&E or a Held for Sale asset is disposed of the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the CI&ES as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the CI&ES also as part of the gain or loss on disposal. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government.

The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or is set aside to reduce the Council's underlying need to borrow. Receipts are appropriated to the reserve from the General Fund Balance in the Movement in Reserves Statement.

The write-off of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

xvii. **Minimum Revenue Provision**

Under the Local Government Act 2003, the Council is required to set aside an amount from revenue as a provision for debt repayment. This amount is known as the Minimum Revenue Provision (MRP).

The calculation is based on 4% of the adjusted Capital Financing Requirement (outstanding debt) for General Fund supported borrowing. From 1 April 2009 the MRP on any new unsupported borrowing will be calculated based on the life of the asset being funded.

There is no requirement to make an MRP for Housing Revenue Account debt.

xviii. **Private Finance Initiative (PFI) and Similar Contracts**

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Non current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

The amounts payable to the PFI operators each year are analysed into five elements:

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement

- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease)
- lifecycle replacement costs – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

The Council currently has three PFI schemes in operation; Riverside Housing, Total Schools Solutions and the Rowley Campus scheme which is part of the Building Schools for the Future programme.

The Council also has a service contract with Serco in relation to the provision of waste collection services which utilises vehicles previously purchased and owned by the Council.

xix. **Provisions, Contingent Liabilities and Contingent Assets**

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Provision for Back Pay Arising from Unequal Pay Claims

The Council has made a provision for the costs of settling claims for back pay arising from discriminatory payments incurred before the Council implemented its equal pay strategy. However, statutory arrangements allow settlements to be financed from the General Fund in the year that payments actually take place, not when the provision is established. The provision is therefore balanced by an Equal Pay Back Pay Account created from amounts credited to the General Fund balance in the year the provision was made or modified. The balance on the Equal Pay Back Pay Account will be debited back to the General Fund balance in the Movement in Reserves Statement in future financial years as payments are made.

Landfill Allowance Schemes

Landfill allowances, whether allocated by DEFRA or purchased from another Waste Disposal Authority (WDA) are recognised as current assets and are initially measured at fair value. Landfill allowances allocated by DEFRA are accounted for as a government grant.

After initial recognition, allowances are measured at the lower of cost and net realisable value.

As landfill is used, a liability and an expense are recognised. The liability is discharged either by surrendering allowances or by payment of a cash penalty to DEFRA (or by a combination). The liability is measured at the best estimate of the expenditure required to meet the obligation, normally the market price of the number of allowances required to meet the liability at the reporting date. The carrying amount of allowances has been written down to their net realisable value (£0.01 per permit) due to the carrying amount being greater than their realisable value. Where some of the obligation will be met by paying a cash penalty to DEFRA, that part of its liability is measured at the cost of the penalty.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

xx. **Reserves**

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

xxi. **School Balances**

In accordance with the schemes of delegation to schools set up in the Education Reform Act 1988, under/overspends against budgets can be carried forward into the following year. Any balances relating to schools are ring fenced and cannot be appropriated by the Council.

xxii. **Revenue Expenditure Funded from Capital under Statute (REFFCUS)**

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service line in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

xxiii. **Insurance Funding Arrangements**

The Council operates an Internal Insurance Account to provide insurance cover where either external cover is uneconomical or unavailable. The Internal Insurance Account provides the following main areas of cover:

Asset Protection - The first £100,000 of loss on non educational establishments and the first £500,000 in respect of educational establishments. The aggregate excess (cap) being £2,500,000 in any policy year. The Council's asset protection does not cover the Council's housing stock.

Liabilities - The first £100,000 of each claim in respect of public/products and employers liability, including officials' indemnity, professional indemnity, libel and slander and land charges. The aggregate excess (cap) being £2,900,000 in any policy year across all liability sections of cover.

Fidelity Guarantee - The first £25,000 of each claim in respect of fraud committed against the Council by its own employees. There is no annual aggregate excess (cap) in respect of fidelity guarantee claims.

The risks not covered by external insurance or other funding arrangements include (as examples), third party fraud, management of key partnerships and programmes, safeguarding of children and risks arising in respect of funding and resource allocation (in light of the current economic climate); however where there are uninsured risks which have been identified, these risks are assessed, especially for financial impact, and appropriate controls put in place to mitigate those risks.

xxiv. **VAT**

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

HOUSING REVENUE ACCOUNT

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

2009/10 £'000		2010/11 £'000
	<u>Income:</u>	
100,493	Dwelling Rents	101,816
1,619	Non-Dwelling Rents	1,666
1,671	Charges for Services & Facilities	1,306
5,713	PFI Grant	5,713
109,496	Total Income	110,501
	<u>Expenditure:</u>	
28,121	Repairs & Maintenance	28,154
28,873	Supervision & Management	27,296
13	Rent, Rates, Taxes & Other Charges	18
6,691	Negative Housing Revenue Account Subsidy payable	7,040
3,355	PFI Contract	2,642
211,650	Depreciation & Impairment of Non Current Assets	197,227
193	Debt Management Costs	193
885	Increase in Bad Debt Provision	941
279,781	Total Expenditure	263,511
170,285	Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Account	153,010
570	HRA Services share of Corporate and Democratic Core	542
-	HRA share of other amounts included in the whole authority Net Cost of Services but not allocated to specific services	-
170,855	Net Cost of HRA Services	153,552
(853)	(Gain) or loss on sale of HRA fixed assets	(1,411)
2,444	PFI Interest payable and similar charges	2,989
17,173	Interest payable and similar charges	18,142
(89)	Interest and investment income	(6)
(233)	Income & Expenditure in relation to Investment Properties	(250)
(550)	Capital grants and contributions receivable	-
188,747	(Surplus) / Deficit for the year on HRA services	173,016

HOUSING REVENUE ACCOUNT

2009/10 £'000		2010/11 £'000
188,747	Deficit for the year on the HRA Income & Expenditure Statement	173,016
(187,558)	Net additional amount required by statute to be credited to the HRA Balance for the year	(171,872)
1,189	(Increase)/Decrease in the Housing Revenue Account Balance	1,144
(16,736)	Housing Revenue Account surplus brought forward	(15,547)
(15,547)	Housing Revenue Account surplus carried forward	(14,403)

2009/10 £'000		2010/11 £'000
	Items included in the HRA Income & Expenditure Statement but excluded from the Movement on HRA Balance for the year	
-	Difference between any item of income & expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements	-
-	Transfer from Major Repairs Reserve	-
(177,796)	Depreciation & impairment of Non Current Assets	(178,839)
(15,766)	Depreciation & impairment of Non Current Assets - PFI	-
853	Gain or loss on sale of HRA Non Current Assets	1,411
(192,709)		(177,428)
	Items not included in the HRA Income & Expenditure Statement but included in the Movement on HRA Balance for the year	
(40)	Amortisation of premiums, discounts & LOBOs	(63)
2,368	PFI Finance Lease Creditor	2,065
800	PFI Capital expenditure funded by the HRA	-
1,473	Capital expenditure funded by the HRA	3,554
550	Capital grants and contributions receivable	-
5,151		5,556
(187,558)	Net additional amount required by statute to be credited to the HRA Balance for the year	(171,872)

HOUSING REVENUE ACCOUNT

1. Housing Stock as at 31st March

Total No. 2010	Dwelling Type	Pre 1945	1945 to 1964	Post 1964	Total No. 2011
	<u>1 Bedroom</u>				
1	Houses	-	-	1	1
6,269	Flats	223	1,533	4,541	6,297
1,400	Bungalows	391	320	685	1,396
	<u>2 Bedroom</u>				
3,283	Houses	1,715	950	619	3,284
4,940	Flats	133	2,449	2,337	4,919
113	Bungalows	1	52	60	113
	<u>3 Bedroom</u>				
12,964	Houses	7,588	3,275	2,055	12,918
603	Flats	50	320	233	603
13	Bungalows	1	1	11	13
	<u>4 Bedroom</u>				
609	Houses	427	142	40	609
1	Bungalows	-	-	1	1
	<u>5 Bedroom</u>				
10	Houses	8	2	-	10
	<u>6 Bedroom</u>				
3	Houses	1	1	1	3
	<u>8 Bedroom</u>				
1	Houses	-	-	1	1
30,210	Total Stock	10,538	9,045	10,585	30,168

The housing stock at 31 March 2011 includes 1,074 council dwellings (1,146 at 31 March 2010) included within the Riverside Housing PFI contract, which are now included on the Council's Balance Sheet.

HOUSING REVENUE ACCOUNT

2. Balance Sheet Movement in HRA Non Current Assets

	Council Dwellings £'000	Land & Building £'000	Investment Properties £'000	Total £'000
<u>Cost or Valuation</u>				
As At 01/04/10	1,168,172	10,140	20,769	1,199,081
Additions	47,306	-	428	47,734
Revaluations - Revaluation Reserve	(18,874)	(587)	-	(19,461)
Revaluations - CI&ES	(157,616)	(324)	743	(157,197)
Impairments (Due to fall in value)				0
Disposals	(2,119)	-	-	(2,119)
Other Movements	(1,625)	(378)	(1,268)	(3,271)
As At 31/03/11	1,035,244	8,851	20,672	1,064,767
<u>Depreciation & Impairment</u>				
As At 01/04/10	(18,867)	(498)	(85)	(19,450)
In Year Depreciation	(19,114)	(230)	-	(19,344)
Depreciation Written Out - Revaluation Reserve	18,867	363	-	19,230
In Year Impairments (Other)	-	-	-	-
Re-valuation	-	-	-	-
Disposal	31	-	-	31
Other Movements	44	11	-	55
As At 31/03/11	(19,039)	(354)	(85)	(19,478)
<u>Balance Sheet Amount</u>				
As At 01/04/10	1,149,305	9,642	20,684	1,179,631
As At 31/03/11	1,016,205	8,497	20,587	1,045,289

The Council entered into a 25-year PFI contract in March 2006 with Riverside Housing Association (RHA) for the refurbishment of 1,095 Dwellings. These assets are also included in the table above as they form part of the Council's assets held within the Balance Sheet.

The Council has 150 dwellings awaiting demolition or outright land sale, 1 of these were tenanted as at 31st March 2011. These dwellings have been valued as non-operational buildings on an investment value basis.

HOUSING REVENUE ACCOUNT

3. Closing Vacant Possession and Existing Use Valuations

The closing vacant possession valuation and existing use valuation, after taking into account the 49% regional adjustment factor for each type of dwelling within the housing stock is as follows:

Dwelling Type	Opening Vacant Possession Valuation as at 01/04/2010 £'000	Closing Vacant Possession Valuation as at 31/03/2011 £'000	Economic Cost Of Providing Council Housing £'000	(49%) Existing Use Valuation as at 01/04/2010 £'000
<u>1 Bedroom</u>				
Houses	72	28	37	35
Flats	356,123	139,603	181,623	174,500
Bungalows	114,849	45,579	58,573	56,276
<u>2 Bedroom</u>				
Houses	277,157	116,205	141,350	135,807
Flats	280,693	114,778	143,153	137,540
Bungalows	10,275	3,811	5,240	5,035
<u>3 Bedroom</u>				
Houses	1,200,270	543,383	612,138	588,132
Flats	42,882	19,500	21,870	21,012
Bungalows	1,333	489	680	653
<u>4 Bedroom</u>				
Houses	60,379	31,884	30,793	29,586
Bungalows	112	48	57	55
<u>5 Bedroom</u>				
Houses	955	632	487	468
<u>6 Bedroom</u>				
Houses	317	198	162	155
<u>8 Bedroom</u>				
Houses	104	67	53	51
Total	2,345,521	1,016,205	1,196,216	1,149,305

The closing vacant possession value of council dwellings shows the total sum that the Council would receive if all the assets were sold on the open market. The difference between the vacant possession value and the existing use value for social housing valuation shows the economic cost to the Council of providing council housing at less than market value i.e. 49% regional adjustment factor which represents sub market rents.

4. Major Repairs Reserve

The major repairs reserve is attributed with an amount equivalent to the full depreciation charges made during the year to the HRA. These funds are then available to finance capital expenditure on HRA assets with the balance of funds as at 31st March within the Major Repairs Reserve being available for HRA capital purposes.

	2010/11 £'000
Opening Balance as at 1st April	1,639
Depreciation on Dwellings to the MRR during year	18,345
Depreciation on other Non Current Assets	230
Amounts transferred to HRA	(230)
Capital expenditure on land, houses & other property within HRA	(13,512)
Closing Balance as at 31st March	6,472

HOUSING REVENUE ACCOUNT

5. **Capital Expenditure**

Capital expenditure on Land, Houses & other property within the HRA during 2010/11 is £66.841m. This expenditure has been financed as follows:

	2010/11	
	£'000	£'000
Capital Expenditure		66,841
Sources of Funding:		
<u>Borrowing</u>		
Single Capital Pot & ALMO Decent Homes	41,066	
Prudential Borrowing	6,366	
<u>Capital Grants & Contributions</u>		
Grants	2,343	
Major Repairs Reserve	13,512	
Revenue Contribution	3,554	
Total Funding		66,841

6. **Capital Receipts**

Capital receipts received from the disposal of land, houses and other property within the HRA during 2010/11 is summarised below:

	2010/11 £'000
Land & Buildings	182
Council Houses	3,309
Mortgage Receipts	8
Total Capital Receipts	3,499

7. **Depreciation Charge**

As required by the Code, the Council has charged depreciation on all HRA properties, including non-dwellings. The Major Repairs Allowance has been used as a proxy for depreciation on all council dwellings in 2010/11, including those covered by the Riverside PFI scheme.

Depreciation for garages and neighbourhood offices have been calculated on a straight-line basis, based on an asset life of 40 years. A summary of depreciation charged into the Housing Revenue Account is detailed below:

	2010/11 £'000
Dwellings	18,346
PFI Dwellings	769
Garages	163
Neighbourhood Offices	68
Total Depreciation	19,346

HOUSING REVENUE ACCOUNT

8. **Impairment Charges**

The Code requires a charge to be made to the Housing Revenue Account in respect of revaluation and impairment. During 2010/11 there were charges of £159.156m that had an adverse affect on the value of assets held within the HRA.

The Code also requires that previous years losses should be reversed if the circumstances giving rise to the loss change. No losses from previous years have been reversed during 2010/11.

9. **Rent Arrears**

Arrears of rent due from tenants of council dwellings are shown below:

	2009/10 £'000	2010/11 £'000
Current Tenants	1,593	1,652
Former Tenants	3,401	2,773
Total Arrears	4,994	4,425

10. **Provisions & Reserves**

A provision is made for bad debts on rents due from tenants of council dwellings, the movement on which is shown below:

	2009/10 £'000	2010/11 £'000
Provision b/fwd 1st April	4,174	4,198
Write Off / On Charged to Provision	24	(840)
Additional Provision	-	1,043
Provision c/fwd 31st March	4,198	4,401

In addition, a reserve earmarked as part of the HRA balance to maintain repairs expenditure and to fund redevelopments was utilised by £1.341m during 2010/11. The earmarked balance as at 31st March 2011 is £12.403m.

HOUSING REVENUE ACCOUNT

11. Government Subsidy

During the year Government subsidies have been credited / debited to the Housing Revenue Account as follows:

2009/10 £'000		2010/11 £'000	
		£'000	£'000
488	Prior Year Adjustment		163
	Housing Revenue Account Subsidy Payable:		
94,411	Rent	97,778	
(49,814)	Management & Maintenance	(51,151)	
(18,089)	Major Repairs Allowance	(18,345)	
(20,319)	Capital Charges	(21,418)	
14	Interest on Receipts	12	
6,203			6,876
(5,714)	PFI Credit Receivable		(5,713)
977	Total Government Subsidy Receivable		1,326

12. Housing Revenue Account Balance

2009/10 £'000		2010/11 £'000
15,547	HRA Surplus as at 31st March	14,403
	Less Earmarked Balances:	
(4,651)	- Working Balance	(5,000)
(700)	- Internal Fire Insurance Account	(700)
(950)	- Contingencies	(366)
(5,066)	- Capital Investment	(5,952)
(4,180)	- PFI	(385)
	- Earmarked Departmental Balances	
	- Uncommitted HRA Resources	2,000

13. Management of the Housing Stock

The management of the housing stock was transferred to an Arms Length Management Organisation (ALMO); Sandwell Homes in October 2004.

The Council paid a management fee in 2010/11 of £52.9m to Sandwell Homes for the management of its housing stock. In order to comply with proper accounting practice this management fee has been split between:

- Repairs and Maintenance
- Supervision and Management
- Rent, Rates taxes and other charges

On the face of the Housing Revenue Account, the fee has been allocated to these headings based on the original agreed contractual split and any subsequent amendments to the fee. This contractual fee is consolidated out of the Group Account statements and replaced by Sandwell Homes actual spend and contribution to reserves.

COLLECTION FUND

2009/10 £'000		2010/11 £'000	£'000
	Income:		
81,217	Council Tax	82,278	
30,706	- Income from Council Tax Payers	31,385	
111,923	- Council Tax Benefits		113,663
90,195	Income from Non Domestic Ratepayers		84,190
	- Net Adjustment for Previous Years Community Charge		1
	Contribution towards previous year's Collection Fund Deficit		
2,068	- Sandwell MBC	910	
171	- West Midlands Police	76	
83	- West Midlands Fire	37	
2,322			1,023
204,440	Total Income		198,877
	Expenditure:		
	Precepts and Demands		
98,605	- Sandwell MBC	100,238	
8,300	- West Midlands Police	8,479	
3,972	- West Midlands Fire	4,078	
110,877			112,795
	National Non Domestic Rates		
89,735	- Payment to National Pool	83,742	
460	- Cost of Collection Allowances	448	
90,195			84,190
1,872	Provision for Bad Debts - Council Tax		1,373
202,944	Total Expenditure		198,358
1,496	Surplus / (Deficit) in year on Fund		519

1. General

This account reflects the statutory requirements for billing authorities to maintain a separate Collection Fund.

The Collection Fund shows the transactions of the billing authority in relation to the Council Tax and Non-Domestic Rates, and illustrates the way in which these have been distributed to preceptors and the General Fund. The Collection Fund is consolidated with other accounts of the billing authority.

2. Income from NNDR

Under the arrangements for uniform business rates, the Council collects non-domestic rates for its area, which are based on local rateable values multiplied by a uniform rate. The total amount, less reliefs and other deductions, is paid to a central pool (the NNDR pool) managed by Central Government.

COLLECTION FUND

Central Government pays the Council a share of the pool based on the local adult population. This payment (National Non Domestic Rate Grant) is paid directly into the Council's General Fund.

Details of the total amount collectable by the Council are given below:

	2010/11 £
Total rateable value as at 31st March	250,201,537
Non domestic multiplier	40.70
Total collectable amount	101,832,026
less adjustments:	
- Void Properties, Reliefs, Cost of Collection, etc	(18,028,555)
Total Paid to NNDR Pool	83,803,471

3 **Council Tax**

The Council calculated a council tax base of 85,256 for 2010/11 based on the following number of band D equivalent properties within each valuation band:

	Band D Equivalents Number
Band A	31,690
Band B	28,555
Band C	15,191
Band D	6,029
Band E	3,034
Band F	667
Band G	76
Band H	14
	85,256

In 2010/11 the Council set Band D Council Tax at £1,323.01

4 **Collection Fund Write Offs**

The Council has calculated the value of write offs on the collection fund for 2010/11 as follows:

	£
Council Tax	23,817
NNDR	2,394,213
	2,418,030

GROUP COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

2009/10				2010/11		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
196,889	(190,435)	6,454	Central Services to the Public	177,130	(168,087)	9,043
			Cultural, Environmental, Regulatory and Planning			
103,185	(19,355)	83,830	Services	99,558	(24,260)	75,298
362,493	(279,176)	83,317	Education and Children's Services	397,926	(293,907)	104,019
21,233	(2,290)	18,943	Highways and Transport Services	19,131	(3,014)	16,117
278,893	(99,025)	179,868	Housing Services	310,653	(124,542)	186,111
120,266	(38,061)	82,205	Adult Social Care	129,329	(32,725)	96,604
44,477	(18,881)	25,596	Corporate and Democratic Core	2,901	(20,866)	(17,965)
199	(151)	48	Court Services	199	(151)	48
(9,545)	(828)	(10,373)	Non Distributed Costs	(41,390)	(4,644)	(46,034)
1,118,090	(648,202)	469,888	Cost of Services	1,095,437	(672,196)	423,241
		15,440	Levies			15,616
		1,990	Payments to the Government Housing Capital Receipts Pool			2,307
		21,473	(Gains) / Losses on the disposal of non current assets			37,114
		-	Losses on revaluation of Assets Held for Sale			940
		38,903	Other Operating Expenditure			55,977
		33,835	Interest payable and similar charges			35,016
		27,547	Pensions interest cost and expected return on pensions assets			21,526
		(817)	Interest receivable and similar income			(788)
		9,657	Income and expenditure in relation to investment properties and changes in their fair value			(4,982)
		70,222	Financing and Investment Income and Expenditure			50,772
		(97,871)	Council tax income			(99,789)
		(144,571)	Non domestic rates			(160,069)
		(33,369)	Revenue Support Grant			(23,243)
		(30,717)	General government grant - Area Based Grant			(36,653)
		(197)	General government grant - LABGI			-
		(57,481)	Capital grants and contributions			(46,866)
		(364,206)	Taxation and Non Specific Grant Income			(366,620)
		214,807	(Surplus) / Deficit on Provision of Services			163,370
		(35,420)	(Surplus) / deficit on revaluation of non current assets			(74,492)
		(12,418)	(Surplus) / deficit on revaluation of available for sale financial assets			-
		180,561	Actuarial (gains) / losses on pension assets and liabilities			(61,262)
		(308)	Any other (gains) / losses required to be included			(560)
		132,415	Other Comprehensive Income and Expenditure			(136,314)
		347,222	Total Comprehensive Income and Expenditure			27,056

GROUP BALANCE SHEET

1 April 2009 £'000	31 March 2010 £'000		31 March 2011 £'000
1,281,114	1,149,305	Council Dwellings	1,016,205
496,010	454,530	Other Land & Buildings	498,314
134,473	166,501	Infrastructure	171,834
19,329	24,090	Vehicles, Plant, Furniture & Equipment	26,312
5,448	7,430	Community Assets	10,800
37,706	28,331	Assets Under Construction	43,588
5,345	6,820	Surplus Assets Not Held for Sale	2,075
131,502	114,280	Investment Property	112,918
7,730	20,839	Long Term Investments	20,839
3,201	3,292	Long Term Debtors	2,736
2,121,858	1,975,418	Long Term Assets	1,905,621
39,618	61,200	Short Term Investments	24,320
219	-	Assets Held for Sale	414
3,506	2,761	Inventories	3,153
67,100	69,404	Short Term Debtors	59,716
42,271	62,195	Cash & Cash Equivalents	66,379
152,714	195,560	Current Assets	153,982
31,858	36,539	Bank Overdraft	46,699
68,447	133,186	Short Term Borrowing	90,329
119,058	112,181	Short Term Creditors	104,653
219,363	281,906	Current Liabilities	241,681
42,543	18,029	Provisions	19,814
473,223	463,745	Long Term Borrowing	505,055
385,286	592,320	Other Long Term Liabilities	490,159
24,434	32,477	Capital Grants Receipts in Advance	47,449
925,486	1,106,571	Long Term Liabilities	1,062,477
1,129,723	782,501	Net Assets	755,445
88,118	120,624	Usable Reserves	115,112
1,041,605	661,877	Unusable Reserves	640,333
1,129,723	782,501	Total Reserves	755,445

GROUP CASH FLOW STATEMENT

2009/10 £'000		2010/11	
		£'000	£'000
214,807	Net (surplus) / deficit on the provision of services		163,370
(252,662)	Adjustments to net surplus / deficit on the provision of services for non cash movements		(191,261)
	Adjustments for items included in the net surplus/deficit on the provision of services that are investing and financing activities:		
2,024	Interest received	821	
(38,374)	Interest paid	(42,199)	
(36,350)			(41,378)
(74,205)	Net cash flows from Operating Activities		(69,269)
	Investing Activities:		
163,387	Purchase of property, plant and equipment, investment property and intangible assets	172,124	
21,582	Purchase of short and long term investments	-	
36,688	Other payments for investing activities	40,822	
(7,582)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(9,913)	
-	Proceeds from short and long term investments	(36,880)	
(103,738)	Other receipts from investing activities	(81,997)	
110,337			84,156
	Financing Activities:		
(473,191)	Cash receipts of short and long term borrowing	(652,144)	
4,449	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	6,589	
417,367	Repayments of short and long term borrowing	636,644	
(51,375)	Other payments for financing activities		(8,911)
(15,243)	Net increase / decrease in cash and cash equivalents		5,976
10,413	Cash and cash equivalents at the beginning of the reporting period		25,656
25,656	Cash and cash equivalents at the end of the reporting period		19,680

NOTES TO THE GROUP ACCOUNTS

Reconciliation of the Single Entity Surplus / Deficit to the Group Surplus / Deficit

2009/10 £'000		2010/11 £'000
217,292	Deficit in the Group Income and Expenditure account attributable to the authority	169,845
	(Surplus) / deficit in the Group Income and Expenditure account attributable to group entities (adjusted for intra group transactions)	
(2,485)	Subsidiaries	(6,475)
214,807	Deficit for the year on the Group Income and Expenditure account	163,370

Group Cash Flow Statement – Surplus/Deficit on the Provision of Services for Non Cash Movements

	2009/10	2010/11		
	Total £'000	Sandwell MBC £'000	Sandwell Homes £'000	Total £'000
Non Cash Transactions:				
Depreciation and impairment of fixed assets	(271,714)	(226,803)	(1,265)	(228,068)
Government Grants Deferred amortisation	(230)	-	-	-
Revenue expenditure funded from capital under statute	(5,727)	(28,599)	-	(28,599)
Net (gain)/loss on the sale of non current assets	(21,473)	(37,114)	-	(37,114)
Net charges made for retirement benefits in accordance with IAS19	(16,497)	46,744	7,674	54,418
Appropriations to/from Collection Fund Adjustment Account	1,334	461	-	461
Provision for Equal Pay	26,321	1,142	-	1,142
Appropriations to/from Accumulated Absences Account	(1,247)	161	-	161
Gains / Losses on Revaluation	(12,981)	1,612	-	1,612
Taxation & Specific Grants	55,935	46,866	-	46,866
Other non cash transactions	(549)	(73)	-	(73)
	(246,828)	(195,603)	6,409	(189,194)
Items on an Accruals Basis:				
Increase/(decrease) in Inventories	(745)	376	16	392
Increase/(decrease) in Debtors	9,164	(7,648)	(1,917)	(9,565)
(Increase)/decrease in Creditors	(13,694)	9,603	591	10,194
(Increase)/decrease in Provisions	(559)	(3,088)	-	(3,088)
	(5,834)	(757)	(1,310)	(2,067)
Net surplus / deficit on the provision of services for non cash movements	(252,662)	(196,360)	5,099	(191,261)

1. **Introduction**

The Code requires that where the Council has material interests in one or more subsidiary and associated companies, it should prepare Group Accounts. The aim of consolidation is to give an overall picture of the Council's financial activities and the resources employed in carrying out those activities. Following the establishment of Sandwell Homes, an Arm's Length Management Organisation (ALMO) on 1st October 2004, the Council now has interests in a subsidiary that is considered material, and thus group accounts have been prepared.

2. **Basis of Consolidation**

The Group Comprehensive Income and Expenditure Statement, Balance Sheet, Movement In Reserves Statement and Cash Flow Statement have been prepared in accordance with the Code.

A number of adjustments from the single entity account have been reflected, including bringing in the profit and / or losses on disposal of fixed assets and capital grants being amortised to services.

The group cash flow statement is a consolidated statement, which summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes. Only cash receipts that flow to and from the group are included.

The group accounts have been consolidated on a line-by-line basis and there are no accounting policies, which differ within the group, which will have any material impact on the group financial statements. The group income and expenditure account and balance sheet reflect the requirements of IAS19. Full disclosure notes can be found as a note to the financial statements within Sandwell Homes published accounts.

3 **Details of Subsidiary Company – Sandwell Homes Ltd**

i) **Nature of the Business**

- On 1st October 2004, the Council established the Arm's Length Management Organisation (ALMO), called Sandwell Homes, to manage its stock of Council Dwellings.

ii) **Relationship with the Council**

- The ALMO has no share capital and is wholly controlled by the Council.
- Under the Code the ALMO is classed as a subsidiary of the Council, and their financial activities have been consolidated 100% into the group financial statements.
- Sandwell Homes is a company limited by guarantee. The liability of the Council in the event of the winding up of Sandwell Homes is limited to the sum of £1.

iii) **Financial Performance**

- In 2010/2011 the ALMO made a net profit on ordinary activities before taxation of £6.476m and a retained surplus of £17.026m. The retained surplus included £16.850m relating to the reduction in the pension deficit, therefore the net underlying surplus for the year was £0.176m.
- On 31st March 2011, they had total net liabilities of £9.379m.

iv) **Transactions and services with Sandwell Homes**

- The principal income of Sandwell Homes is from the Council, which takes the form of a management fee and represents the on-going financial support for the Company which amounted to £52.9m for the period to 31st March 2011.
- Sandwell Homes also undertakes the Investment Programme on behalf of the Council. This is funded separately in the form of a contribution from the Council being £52.829m in 2010/11.

- Spend against this programme and this funding is incorporated within Sandwell Homes income statement under 'operating costs'. Sandwell MBC has accounted for these monies as a capital contribution.
- The Council leases various premises and equipment to Sandwell Homes for their operational activities and also provides a number of support services to them, for which charges are made through the management agreement.
- Goodwill represents the excess of the purchase consideration compared with the fair value of net assets acquired. The Company included the goodwill arising as a result of recognising the FRS17 pension deficit on commencement of trading on 1 October 2004 and under UK GAAP amortised it over 20 years.

IFRS does not permit the amortisation of goodwill and instead requires an annual impairment review. Upon transition to IFRS the goodwill was considered fully impaired, therefore the amortisation has been reversed and an impairment loss incurred.

v) Accounts

An unqualified opinion has been issued on the financial accounts of Sandwell Homes Limited and can be obtained from the following address;

Mr P.E. Field
Interim Chief Executive

Registered Office:
Dartmouth House
Sandwell Road
West Bromwich
West Midlands
B70 8TB

1. Scope of Responsibility

- 1.1 Sandwell Metropolitan Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 1.3 The Council has adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering *Good Governance in Local Government*. A copy of the Code has been placed on the website or can be obtained from the council offices, Sandwell Council House, Freeth Street, Oldbury, B69 3DE. This statement is prepared to comply with the requirements of regulation 4(3) of the Accounts and Audit Regulations 2011 which refers to the statement to accompany the published accounts.

2. The Purpose of the Governance Framework

- 2.1 The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievements of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
- 2.2 Risk management and internal control are a significant part of the governance framework and are designed to manage risk to a reasonable level. They cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The systems of risk management and internal control are based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at the Council for the year ended 31 March 2011 and up to the date of approval of the annual report and statement of accounts.

3. The Governance Framework

- 3.1 The cornerstone of the governance framework is the Council's Constitution, which sets out how the Council operates, how decisions are made and the procedures that are followed to ensure that these are efficient, transparent and accountable to local people. Law requires some of these processes, while others are a matter for the Council to determine. The Council's Constitution also contains detailed codes and protocols, such as Procurement & Contract Procedure Rules (defining how purchases are made and how contracts must be let) and Financial Regulations (setting out procedures and principles for proper financial management). The Council's policy and decision making is through the cabinet process. These meetings are open to the public, except where personal or confidential matters are being discussed. In addition, senior officers make decisions under delegated authority.

- 3.2 Responsibility for reviewing and updating all elements of the Constitution is undertaken annually by the Constitution Working Group to ensure the governance framework is fit for purpose.
- 3.3 The Constitution defines and documents the roles and responsibilities of the Cabinet, other Member Committees, scrutiny functions and senior officer functions, with clear delegation arrangements. The Council publishes a forward plan that details the key decisions to be made by the Council, Committees and Chief Officers under their delegated powers. The key senior officers identified in the Constitution include statutory positions:
- a. Head of the Paid Service (Interim Chief Executive) must ensure that the Council is properly organised and staffed
 - b. The Council has designated the Director - Legal and Governance as the Monitoring Officer, who must ensure the lawfulness and fairness of decision-making and compliance with laws and regulations. After consultation with the Head of Paid Service and Chief Financial Officer, the Monitoring Officer will report to full Council if she considers that any proposal, decision or omission would result in unlawfulness or maladministration.
 - c. The Council has designated the Director - Strategic Resources as the Chief Financial Officer in accordance with Section 151 of the Local Government Act 1972, who must ensure the lawfulness and financial prudence of decision-making. The Director of Strategic Resources is also responsible for the proper administration of the Council's financial affairs.
- 3.4 During 2010 the Council embarked on an extensive restructuring programme, commencing with the restructure and streamlining of the senior management team with the objective to reduce the number of Chief Officers of the Council, in an attempt to improve performance and value for money and reduce costs. This resulted in the creation of a single, integrated Management Board of Directors for the Council.
- 3.5 In identifying and communicating the Council's vision of its purpose and intended outcomes for citizens and services users, the Council engages with all parts of the community and has developed a Sustainable Community Strategy and Council Plan, which are published to all residents of the Borough via the Internet. The Council's key objectives are consolidated in the Council Plan.
- 3.6 In reviewing the Council's vision and its implications for the Council's governance arrangements, the Council carries out an annual review of the Council Plan to ensure it remains focused on current and long-term issues.
- 3.7 The Council Plan is supplemented by strategies and plans within each service area.
- 3.8 In measuring the quality of services for users, ensuring they are delivered in accordance with the Council's objectives and ensuring that they represent the best use of resources, the Council uses a Corporate Performance Management system and a Cabinet scorecard of key performance indicators. The Management Board and Cabinet monitor this each quarter. Each service area will also set and monitor the quality of service measures for each service as part of the Corporate Business Planning framework.
- 3.9 The Council recognises it has a legal duty to secure economy, efficiency and effectiveness in its use of resources and continuous improvement in its services. This duty is recognised in establishing the Council's policy agenda.

- 3.10 Effective financial management is an essential aspect of the Council's governance framework. This is achieved in particular through: -
- a. Comprehensive revenue and capital budgeting and reporting systems.
 - b. A medium term financial planning process.
 - c. Regular reporting and monitoring of actual performance against forecast.
 - d. The Council periodically undertakes a review of its financial management arrangements using a toolkit provided by CIPFA.
- 3.11 Responsibility for developing, communicating and embedding codes of conduct, which define the standards of behaviour for members and staff has been delegated to the Standards Committee which is agreed each year as part of the Council's constitution.
- 3.12 The Standards Committee monitors the Council's Confidential Reporting Code for use by staff and contractors.
- 3.13 The Council also operates a complaints system for the public and Senior Officers and Members monitor the use of this system.
- 3.14 The Council has an Audit Committee with a remit, in line with CIPFA's "Audit Committees – Practical Guidance for Local Authorities", to oversee the effective operation of both the internal and external audit function, and to ensure that appropriate action is taken in relation to audit recommendations.
- 3.15 The Audit Committee receive regular updates on the Strategic Risk Register and Assurance Map. It also "calls in" key risks throughout the year, in order to assure itself that risks are being satisfactorily mitigated. Internal Audit also undertakes an annual review of the adequacy of the risk management arrangements, and report to the Audit Committee on this.
- 3.16 There is also a statutory requirement for the Council to undertake an adequate and effective internal audit of its accounting records and system of internal control, a responsibility delegated to the Director – Strategic Resources. Internal Audit operates in accordance with the Code of Practice for Internal Audit in Local Government and is under the day-to-day control of the Audit Services Manager who is the Head of Internal Audit and acts independently to the management of the Council. Internal Audit's primary role is to independently review and report on whether risks facing the Council are effectively managed and controlled. It has a rolling programme of audits that, over a period of three years, is intended to review all areas of major risk within the Council. The priority of different areas of the programme is determined by Internal Audit's own assessment of risks [including the Strategic Risk Register] and controls. The Audit Committee approves audit plans which are designed to ensure coverage of all significant elements of the governance framework e.g. human resources and project management.
- 3.17 The Accounts and Audit Regulations 2011 require the Council to conduct an annual review of the effectiveness of its Internal Audit and that the findings of the review shall be considered by a committee of the relevant body. For 2010/11 the review also examined the arrangements in place against the statement on the Role of the Head of Internal Audit as published by CIPFA. The Section 151 Officer carries out this review and reports his findings to the Audit Committee. The review determined that Internal Audit was operating effectively and that they were able to provide reasonable assurance that the Council has adequate and effective governance, risk management and internal control processes. The review also concluded that the Council has effective Head of Internal Audit arrangements in place.

- 3.18 The Council has nine Scrutiny Panels that carry out a programme of reviews of Council services and decisions. The Chair of the relevant Scrutiny Panel also attends the appropriate Cabinet Advisory meeting, which provides an effective challenge to Council decisions.
- 3.19 The Council operates a performance review system for identifying the development needs of senior officers and action plans are produced as appropriate. The Constitution also requires all political groups to identify any development needs of Members and a comprehensive training programme is available to meet their needs.
- 3.20 The Council has a Partnership Toolkit setting out the governance and internal control arrangements that must be in place when dealing with partnerships. The Partnership Management Group (PMG) is tasked with reviewing partnerships against these requirements and is working to ensure the relationship with our key partnerships remains effectively governed, managed and to oversee the performance management of these partnerships to make the best use of resources and ensure they are fit for purpose.
- 3.21 External Audit conduct annual audits of the Council and external inspectorates perform a number of reviews of Council services. All of these bodies contribute to the Council's governance framework.
- 3.22 The Council has an approved Communications Strategy covering the period 2008 - 2010 inclusive. The key aim of this strategy is to co-ordinate open, honest, clear and accessible two-way communication with all its audiences. The strategy covers all internal and external forms of communications and there are clear channels that cover each one. Examples of internal communications with its employees include Management Board Briefings, the Interim chief executive's blog 'Word on the Street', council-wide e-mails, regular thematic newsletters and the intranet. Examples of external communications with residents include the council's quarterly produced newspaper 'Sandwell Herald', the Council's newly developed website, the Leaders blog 'The Bottom Line', the emerging use of social media e.g. twitter, facebook and the 'Sandwell Council...Working for You' e-newsletter.
- 3.23 In compiling the Governance Statement, assurance is also taken from the completion and signing off of Directors' Assurance Statements by each Director. These assurance statements incorporate key areas relating to internal control, governance and risk management.

4. Review of Effectiveness

- 4.1 The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Members and Senior Officers within the Council who have responsibility for the development and maintenance of the governance framework, Audit Services Annual Report, and also by reports made by the external auditors and other review agencies and inspectorates.
- 4.2 During 2010/11 Audit Services carry out a number of planned audit reviews as part of their three-year strategic plan, along with a number of other aspects of assurance related and ad-hoc work. The findings were reported to relevant line managers and senior management, and appropriate action agreed.
- 4.3 The Audit Committee receives an annual report summarising the performance of Audit Services in the previous financial year, and plans for future years. The report concluded that Internal Audit was operating effectively and that they were able to provide reasonable assurance that the Council has adequate and effective governance, risk management and internal control processes. The Committee also receives a series of reports setting out the results of Audit Services work in each of the Council's Thematic Service areas. These reports detail key findings,

any recommendations not implemented and management feedback about the action they have taken. The Committee also receives more detailed reports on other areas where they consider it necessary. The Director – Strategic Resources will, under the Anti-Fraud and Corruption Strategy, report major losses, resulting from fraud and corruption, to the Audit Committee. No such reports were necessary during 2010/11. Reports on audit involvement in the prevention and detection of fraud were also presented to the Audit Committee. The Audit Committee also periodically undertakes an exercise to judge its own effectiveness using a toolkit supplied by CIPFA. The last review concluded that it was operating effectively.

- 4.4 When the Council's External Auditors, KPMG have completed their audit for 2010/11, their work and findings (the Annual Audit Letter and Report to those Charged with Governance) will be presented to the Audit Committee and the Cabinet. The Annual Audit Letter for 2009/10 included a number of key messages: -
- a) The Council continues to make improvements to its closedown of accounts process which is contributing to an increasingly efficient audit.
 - b) The Council's arrangements for securing VFM have improved across all areas, and are delivering good, consistent and sustainable VFM across the borough.
 - c) The Council manages its finances well. Financial planning continues to be an area of strength and an improved understanding of costs across the Council is translating into more consistent outcomes.
 - d) The Council's arrangements for governing its business continue to be strong and management of its resources is sound.
 - e) Presented an unqualified opinion on the accounts.
- 4.5 A number of other external bodies carried out reviews during the year, including Ofsted and the Care Quality Commission. The findings of their reports were also considered as part of the external audit review.
- 4.6 The Scrutiny Management Board holds the Executive to account and is responsible for maintaining an overview of service and financial performance, efficiency and effectiveness. The Council's nine Scrutiny Panels carried out an extensive programme of reviews of the Council's activities and decisions, and they report their work and findings to the Council. Their findings have also been reviewed by Cabinet and the Management Board. During the year, a number of the documents making up the governance framework were reviewed and amended subject to approval by full Council or delegated Committees e.g.: -
- a. Code of Corporate Governance
 - b. Gifts & Hospitality – Guidance to employees
 - c. Procurement & Contract Procedure Rules
 - d. Financial Regulations & Procedures
- 4.7 The Partnership Management Group is chaired by the Corporate Director - Place and has run a series of governance reviews during the year to consider the health of our partnerships. Actions identified through the group are taken to the relevant partnership meetings for agreement and implementation. The main focussed reviews carried out during the year have been as follows:
- Sandwell Local Safeguarding Children Board

- Sandwell Children's Trust Board
- Sandwell Corporate Parenting Board
- Sandwell Local Strategic Partnership

4.8 The Council's Governance Statement Working Group has: -

- Assessed to what extent the Council complies with the principles and requirements of good governance set out in the CIPFA/SOLACE framework
- Identified systems, processes and documentation that provide evidence of compliance
- Identified the officers, members and bodies responsible for monitoring and reviewing the systems, processes and documentation identified
- Identified the issues that have not been addressed adequately and how they should be addressed, those responsible for undertaking the actions required, drawn up an action plan and monitored the action plan on behalf of the Audit Committee.

4.9 The Communication Strategy has been monitored regularly by a Corporate Communications Group that is attended by officers with strategic responsibility for communications within their themes. An independent strategic review of communications has recently taken place and the Council is currently considering the recommendations made. The Council has purchased a new content management system that has resulted in a new internet site, with the intranet site following in due course.

4.10 The Council conducted personal performance development meetings and monitored resultant action plans with the majority of its staff throughout 2010/11 in line with its performance review system which enabled the continuing development needs of staff and senior officers to be met.

5. Significant Governance Issues

Based on the Council's established risk management approach, the following issues have been assessed as being "significant" for the purpose of the 2010/11 Annual Governance Statement. Over the coming year appropriate steps to address these matters and further enhance governance arrangements will be taken. These steps will address the need for improvements that were identified in the review of effectiveness and their implementation and operation will be monitored as part of the next annual review.

5.1 As reported last year, the then Secretary of State for Children, Schools and Families issued the Council with an Improvement Notice in March 2010 due to poor performance / decline in Children's Social Care. This improvement Notice was based on evidence contained in the 2009 Ofsted inspection of safeguarding and looked after children services, which judged safeguarding to be 'inadequate'. During 2010/11 the improvement plan to address the measures contained in the Notice was revised and significant improvements have been made. Despite this it remains a key risk area, with some areas for development such as challenging staff caseloads leading to difficulties in completing work within acceptable timescales. The Improvement Board continues to meet regularly to monitor progress and the independent Chair of the Improvement Board is reporting on progress to Ministers at quarterly intervals.

5.2 During 2010/11 there continues to be further data security issues, including the breach of the Data Protection Act involving the intervention of the Information Commissioner. Although mitigating actions have been put in place for electronic data work needs to focus on the management of non electronic information. A range of actions have been identified by the Council which will be actively managed throughout 2011/12 to ensure that systems control is strengthened and data is secure.

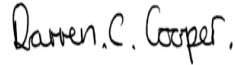
5.3 Following the spending review in October 2010, the Council is facing substantial cuts over the medium term which places a high level of risk on the Council's capacity to secure a stable

GOVERNANCE STATEMENT

financial position. To assist in securing this position, the Council is undertaking a number of restructures, including the use of alternative delivery models. The Council needs to ensure its decisions on cost reductions and the loss of key skills that may result, reflect local service priorities and will achieve sustainable savings in the long term.



Jan Britton
Interim Chief Executive



Darren Cooper
Leading Member



Stuart Kellas
Director Strategic Resources



Neeraj Sharma
Director Legal and Governance

GLOSSARY

ABG - Area Based Grant. This grant replaced the Local Area Agreement grant in 2008/09. It is a non-ringfenced general grant and as such, no conditions are imposed as part of the ABG determination and it is not restricted to supporting the achievement of LAA targets.

Accruals - Income and expenditure are recognised as they are earned or incurred, not as money is received or paid (see Debtors and Creditors).

Accumulated Compensated Absences – Employee benefits, such as annual leave, which are earned on an accruals basis and which would result in a payment being made to the individual for any balance untaken.

Art Trust - The Art Trust was set up under the provision of Section 15 of the Public Libraries and Museum Act 1964, and may be applied to the purchase of objects for exhibition in any museum or art gallery maintained by the Council.

Balance Sheet - A statement of the assets, liabilities and other balances at the end of an accounting period. The Balance Sheet combines all the accounts of an authority, excluding trust funds, as they are not at the disposal of the Council.

Call Accounts – Investment accounts within which the Council deposits surplus funds in order to generate interest where funds can be withdrawn with no advance notice.

Capital Adjustment Account - This account contains the resources set aside to meet the cost of past expenditure. These include capital receipts, released grants and contributions and sums set aside for debt redemption. It also contains any balances from revaluation of assets pre 1st April 2007.

Capital Charge - A charge to service revenue accounts to reflect the cost of non current assets used in the provision of services. This reflects only depreciation.

Capital Expenditure - Expenditure on acquisition, improvement or enhancement of either the Council's or third party assets are defined as capital expenditure. Expenditure, which merely maintains the value, e.g. repairs and maintenance are charged to revenue.

Capital Receipts Unapplied - Proceeds received from the sale of non current assets which have not yet been used to finance capital expenditure or repay debt. Capital receipts can only be used to fund capital expenditure.

Cash Equivalents – Funds invested in call accounts and 30 day notice accounts which are readily convertible to known amounts of cash with insignificant risk of change in value.

Cash Overdrawn - This represents the cash overdrawn position at the balance sheet date including both capital and revenue.

Code - The rules and regulations governing the information and layout of the Council's Statement of Accounts.

Collection Fund - A fund administered by the Council recording receipts from Council Tax and payments to the General Fund and other public authorities. It also records receipts of non-domestic rates collected on behalf of Central Government.

Community Assets - Assets that the Council intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

GLOSSARY

Creditor - An amount owed by the Council for work done, goods received or services rendered but for which payment has not been made.

Current Assets - An asset where the value changes because the volume held varies from day to day e.g. inventories. It is reasonable to expect that these assets will either be consumed or realised during the next accounting period e.g. cash and bank balances, debtors.

Current Liabilities - An amount which will become payable or could be called in within the next accounting period e.g. creditor, cash overdrawn.

Debtor - A sum of money due to the Council but not received at the balance sheet date.

Deferred Creditors - These are amounts owing by the Council where payment is to be made in instalments over a predetermined period of time in excess of one year.

Deferred Debtors - These are amounts due to the Council where payment is to be made by instalments over a predetermined period of time in excess of one year.

Deferred Government Grants & Contributions - Grants and contributions received towards the cost of capital expenditure. These are credited to revenue over the life of the asset created to match depreciation charged on the asset.

Depreciation - The measure of the consumption of a non current asset in delivery of a service charged to the revenue account.

Emoluments - These are payments received from employment, usually in the form of wages, salaries or fees.

Exceptional Items - These are material items, which derive from events or transactions that fall within the ordinary activities of the Council and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

Extraordinary Items - These are material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the Council and which are not expected to recur. They do not include exceptional items nor do they include prior period items merely because they relate to a prior period.

Finance Lease - A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. The payments usually cover the full cost of the asset together with a return for the cost of finance.

General Fund - The General Fund contains all the financial transactions of the Council (with the exception of the Collection Fund and Housing Revenue Account).

Government Grants - These represent assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an authority in return for past or future compliance with certain conditions relating to the activities of the Council.

Housing Revenue Account - Housing authorities are required to keep a separate Housing Revenue Account which includes the expenditure and income arising in connection with the provision of housing accommodation by a local authority. The balance represents the accumulated surplus. The account is ring fenced, meaning it cannot either give or receive subsidy from the General Fund.

IAS – International Accounting Standards

IFRS – International Financial Reporting Standards

Insurance Receipts Unapplied - Insurance monies received by the Council following claims for loss or damage which have not yet been used to meet the cost of reinstatement work.

Inventories - The value of raw materials and stores the Council has procured to use on a continuing basis, but which have not been used at the balance sheet date.

Investments - The lending of surplus revenue balances to provide additional income, excluding funds invested in call accounts and 30 day notice accounts.

LABGI – Local Authority Business Growth Initiative grant. Government grant scheme rewarding Councils that promote sustainable economic growth in their local areas.

Liability - An amount held by the Council which is due to an individual or organisation which will be paid at some time in the future. Liabilities include both money borrowed but not yet repaid and payments due to creditors.

Long Term Loans Outstanding - The total amounts borrowed from external lenders for capital purposes but not repaid at the balance sheet date.

Materiality - An item is material if its omission, non-disclosure or mis-statement in financial statements could be expected to lead to a distortion of the view given by the financial statements.

Minimum Revenue Provision - Sums set aside from revenue to repay borrowing used to finance past capital expenditure.

Net Book Value - The amount at which non current assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

Net Current Replacement Cost - The cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

Net Realisable Value - The open market value of the asset in its existing use (or open market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.

Non Current Asset - A tangible asset with a benefit beyond one financial year, which has a realisable value e.g. land, buildings and plant.

Non-Operational Assets – Non current assets held by the Council but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets would be investment properties and assets that are surplus to requirements, pending sale or redevelopment.

Operating Leases - Leases other than a finance lease.

Operational Assets – Non current assets held and occupied, used or consumed by the Council in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

Payments in Advance - Amounts actually paid in a given accounting period prior to the period for which they were payable.

GLOSSARY

Provisions - Amounts set aside in the accounts for any liabilities of uncertain timing or amount that have been incurred, the movements in year being charged or credited to the appropriate service heads in the Service Revenue Accounts. In order for a sum to be recognised as a provision, certain criteria must be met, as specified in IAS 37.

Receipts in Advance - Amounts actually received in a given accounting period prior to the period for which they were receivable.

Reserves - Amounts earmarked in the accounts for purposes falling outside the definition of provisions can be classified as reserves. The movements in year being charged or generated as an appropriation to the Movement In Reserves Statement rather than directly to Service Revenue Accounts.

Revaluation Reserve - This account from contains all the unrealised gains from the revaluation of non current assets since it was established on 1 April 2007. All unrealised gains prior to this date are held in the Capital Adjustment Account.

Revenue Accounts Balance - The Revenue Account records an authorities day-to-day expenditure and income on such items as salaries and wages, running costs of services and the financing costs of non current assets. The balance represents the accumulated General Fund Surplus including working balances.

Revenue Expenditure Funded From Capital Under Statute (REFFCUS) - Capital expenditure on a third party asset, which does not add value for the Council. These are usually written off in the year they are incurred. Examples of this expenditure are improvement grants and disabled facilities grants.

Temporary Loans - This represents money borrowed for an initial period of less than one year.

Useful Life - The period over which the Council will derive benefits from the use of a non current asset.

Work in Progress - The cost of work done on an uncompleted project at the year-end, which has not been recharged to the appropriate account at the balance sheet date.